

UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF NEW YORK

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UNITED STATES OF AMERICA :

INDICTMENT

-v- :

S2 10 Cr. 228 (LTS)

DANIEL BONVENTRE, :

ANNETTE BONGIORNO, :

JOANN CRUPI, :

a/k/a "Jodi," :

JEROME O'HARA, and :

GEORGE PEREZ, :

Defendants. :

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COUNT ONE

(Conspiracy to Commit Securities Fraud, to Falsify Records of a  
Broker-Dealer, to Falsify Records of an Investment Adviser  
and to Make False Filings With the SEC)

The Grand Jury charges:

Relevant Persons and Entities

1. At all times relevant to this Indictment, Bernard L. Madoff Investment Securities LLC, and its predecessor, Bernard L. Madoff Investment Securities (collectively and separately, "BLMIS"), had its principal place of business in New York, New York. BLMIS was a broker-dealer that engaged in three principal types of business operations: "Market Making"; "Proprietary Trading"; and Investment Advisory ("IA") services. BLMIS was registered with the United States Securities and Exchange Commission ("SEC") as a broker-dealer and, as of on or about

August 25, 2006, as an investment adviser. BLMIS operated on a fiscal year ending October 31.

2. As a registered broker-dealer and as an investment adviser, BLMIS was required to make and keep certain books and records in its ordinary course of business. Among other things, those books and records included the following:

a. Blotters (or other records of original entry) containing an itemized daily record of all purchases and sales of securities and all receipts and deliveries of securities (including certificate numbers), showing the account for which each such transaction was effected, the name and amount of securities, the unit and aggregate purchase or sale price (if any), the trade date, and the name or other designation of the person from whom the securities were purchased or received or to whom the securities were sold or delivered (the "contra party");

b. Documents reflecting each brokerage order, and any other instruction, given or received for the purchase or sale of securities, whether executed or unexecuted, including the account for which the order or other instruction was entered, the time the order was received, the time at which the order was entered, the price at which the order was executed and, to the extent feasible, the time of execution or cancellation;

c. Records identifying the name and address of the beneficial owner of each cash and margin account held at the broker-dealer and/or investment adviser;

d. Ledgers (or other records) reflecting all assets and liabilities, income and expense and capital accounts;

e. Ledgers reflecting moneys borrowed and moneys loaned (together with a record of the collateral therefor and any substitutions in such collateral);

f. A journal or journals, including cash receipts and disbursements, records, and other records of original entry forming the basis of entries in any ledger;

g. General and auxiliary ledgers (or other comparable records) reflecting asset, liability, reserve, capital, income and expense accounts; and

h. All check books, bank statements, cancelled checks and cash reconciliations of the investment adviser.

3. At all times relevant to this Indictment, Madoff Securities International Ltd. ("MSIL") was a corporation incorporated in the United Kingdom. MSIL was an affiliate of BLMIS that engaged principally in proprietary trading.

4. Bernard L. Madoff ("Madoff") was the founder of BLMIS and served as its sole member and principal. In that capacity, Madoff controlled the business activities of BLMIS.

Madoff owned the majority of the voting shares of MSIL and served as the Chairman of MSIL's Board of Directors.

5. Frank DiPascali, Jr. ("DiPascali") was employed at BLMIS between on or about September 11, 1975, and on or about December 11, 2008. During his employment at BLMIS, DiPascali had a variety of duties and responsibilities. By the early 1990s, DiPascali was one of the BLMIS employees responsible for managing the majority of BLMIS's IA accounts into which thousands of BLMIS clients invested, and eventually lost, billions of dollars. Specifically, DiPascali managed the IA accounts that were invested in the "split strike conversion" strategy, as described in Section B below.

6. DANIEL BONVENTRE, the defendant, was employed by BLMIS from in or about August 1968, through at least on or about December 11, 2008. BONVENTRE began working at BLMIS as an auditor, and subsequently was given increasing responsibility for supervising the back office operations of BLMIS. BONVENTRE eventually assumed the position of "Director of Operations" for BLMIS beginning at least as early as in or about 1978. In his capacity as Director of Operations, BONVENTRE was responsible for, among other things: (a) maintaining and supervising the production of the principal internal accounting documents for BLMIS, including the General Ledger ("G/L"); (b) maintaining the stock record for BLMIS and resolving any discrepancies between

internal and external records; (c) supervising the use and reconciliation of BLMIS bank accounts through which the Market Making, Proprietary Trading, and IA business operations were funded; (d) supervising BLMIS employees who worked in the accounting department and the "cage";<sup>1</sup> and (e) supervising JEROME O'HARA and GEORGE PEREZ, the defendants, insofar as their work related to the production of the G/L and other BLMIS accounting records.

7. ANNETTE BONGIORNO, the defendant, was employed at BLMIS from on or about July 1, 1968, through at least on or about December 11, 2008. During her employment, BONGIORNO had a variety of duties and responsibilities, including managing hundreds of IA accounts purportedly having a cumulative balance of approximately \$8.5 billion dollars as of November 30, 2008. BONGIORNO also supervised employees who worked for the IA business.

8. JOANN CRUPI, a/k/a "Jodi," the defendant, was employed at BLMIS from on or about July 5, 1983, through at least on or about December 11, 2008. During her employment at BLMIS, CRUPI had a variety of duties and responsibilities, including tracking the daily activity of the bank account into which billions of dollars of IA clients' money for investment was

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<sup>1</sup> The "cage" was the area of BLMIS's office in which settlement and clearing functions occurred, and in which checks and wire transfers were sent and/or received.

deposited, and from which IA client redemptions were paid (the "IA Bank Account"), and directing wire transfers into and out of the IA Bank Account. In addition, CRUPI managed several BLMIS IA accounts purportedly having a cumulative balance of approximately \$900 million as of November 30, 2008. CRUPI also assisted DiPascali in managing the Split Strike accounts.

9. At all times relevant to this Indictment, JEROME O'HARA and GEORGE PEREZ, the defendants, were employed by BLMIS starting in or about 1990 and 1991, respectively. O'HARA and PEREZ were each responsible for, among other things, developing and maintaining computer programs for computers that supported the operations of BLMIS, including its Market Making, Proprietary Trading, and IA operations.

### Background

#### A. The Ponzi Scheme

10. From at least as early as the 1980s through on or about December 11, 2008, Madoff, DiPascali, and other co-conspirators perpetrated a scheme to defraud the clients of the BLMIS IA business ("IA Clients") by accepting billions of dollars of IA Clients' funds under false pretenses, failing to invest the IA Clients' funds as promised, creating and disseminating false and fraudulent documents to IA Clients purporting to show that their funds had been invested, creating false books and records

of BLMIS, and lying to the SEC and an accounting firm to conceal the fraudulent scheme.

11. To execute the scheme, Madoff solicited, and caused others to solicit, prospective clients to open trading accounts with BLMIS, based upon, among other things, a promise to use investor funds to purchase shares of common stock, options, other securities, and financial instruments, and representations that he would achieve high rates of return for clients with limited risk. These representations were false. Contrary to representations made on account statements and other documents sent to IA Clients, Madoff, DiPascali, and other co-conspirators knew that the IA Clients' funds were not being invested in securities as promised. Moreover, Madoff, DiPascali, and other co-conspirators misappropriated IA Clients' funds and converted those funds to their own use and the use of others.

**B. The "Split Strike" Strategy**

12. Under the direction of Madoff, DiPascali helped to develop the purported "split strike conversion" ("Split Strike") investment strategy that Madoff used to market the IA business to IA Clients and prospective IA Clients beginning in or about the early 1990s. Current and prospective IA Clients who were invested in the Split Strike strategy were promised that: (i) their funds would be invested in a basket of approximately 35-50 common stocks within the Standard & Poor's 100 Index (the "S&P

100"), a collection of the 100 largest publicly traded companies in terms of their market capitalization; (ii) the basket of stocks would closely mimic the price movements of the S&P 100; (iii) the investments would be hedged by using IA Clients' funds to buy and sell option contracts related to those stocks, thereby limiting potential losses caused by unpredictable changes in stock prices; (iv) Madoff opportunistically would time the entry and exit from the strategy; and (v) when the IA Clients' funds were not invested in the basket of stocks and options described above, those funds would be invested in money market funds and United States Government-issued securities such as United States Treasury bills.

13. In total, thousands of IA Clients, including individual investors, charitable organizations, trusts, pension funds, and hedge funds, among others, with billions of dollars of cumulative investments, were told by Madoff, DiPascali and other co-conspirators that their funds were invested with BLMIS using the Split Strike strategy. (These clients are herein referred to, collectively, as the "Split Strike Clients".)

14. Madoff, DiPascali, and other co-conspirators knew that the Split Strike strategy was a fiction in that the Split Strike Clients' funds were not invested in the securities recorded on those clients' account statements. The reported performance of the Split Strike strategy was fabricated by



Madoff, DiPascali, and other co-conspirators through a process in which transactions were "executed" only on paper, based on historically reported prices of securities, for the purpose of producing and sending documents to Split Strike Clients that falsely made it appear that BLMIS had achieved the promised "returns" of approximately 10 to 17 percent per year.

15. On a regular basis, Madoff provided guidance to DiPascali and, through DiPascali, to other co-conspirators, about the gains or losses that Madoff wanted to be reflected in the account statements of the Split Strike Clients. Based on that guidance, DiPascali and other co-conspirators prepared model baskets of S&P 100 stocks based on historical market prices and tracked how those hypothetical baskets would have performed in the actual marketplace to determine whether and when to "enter the market." Whenever Madoff informed DiPascali that he had decided to "enter the market," DiPascali and other co-conspirators caused data related to the chosen basket of securities to be entered into a computer dedicated to the IA business, which was housed principally on the seventeenth floor of BLMIS's offices. That computer was referred to by certain BLMIS employees as "House 17." Madoff, DiPascali, and other co-conspirators used computer programs developed by JEROME O'HARA and GEORGE PEREZ, the defendants, to, among other things, allocate multiples of the chosen basket to Split Strike Clients

on a pro rata basis based on each such client's purported account balance. When Madoff made a final decision purportedly to "enter the market," DiPascali and other co-conspirators would cause tens of thousands of false documents to be produced from data stored on House 17 that purported to confirm the purchases of securities that, in fact, had not been purchased.

16. The purported trades by which BLMIS supposedly "entered the market" were priced using data from market activity that already occurred - sometimes one or more days prior to the date on which the decision to "enter the market" was finalized. Because none of the "trades" actually occurred, Madoff, DiPascali, and other co-conspirators relied on historical price and trading volume data obtained from published sources of market information. With the benefit of hindsight, Madoff and DiPascali chose the prices at which securities purportedly were purchased in light of Madoff's objectives. In doing so, Madoff, DiPascali, and other co-conspirators attempted to ensure that the trade confirmation slips sent to Split Strike Clients reflected prices that fell within the range of prices at which each such security in fact had traded on the pertinent day.

17. A similar process to that described in paragraphs 15 and 16 above was used in "exiting the market" by "selling out" of the purported stock and option positions and "buying" United States Treasury bills and shares in a money market fund with the

"proceeds" of those purported sales. With the benefit of hindsight, Madoff and DiPascali evaluated whether and when to appear to "sell out" of the securities positions that previously had been reported to Split Strike Clients. Thereafter, DiPascali and other co-conspirators caused BLMIS computer operators to input fake data that generated tens of thousands of false confirmations of the purported transactions, which were subsequently printed and sent to Split Strike Clients through the United States mails.

18. On a monthly basis, Madoff, DiPascali and other co-conspirators oversaw the production and mailing of thousands of pages of account statements to Split Strike Clients. Those documents falsely reflected securities transactions that had not been executed and securities positions that, in fact, did not exist.

19. In practice, the growth in account values reported on the Split Strike Clients' account statements approximated the annualized rates of return that had been targeted by Madoff. As directed by Madoff, DiPascali and other co-conspirators routinely added additional fictitious options "trades" to the books and records maintained on House 17 for certain Split Strike Client accounts for the purpose of making it appear that those accounts had achieved their respective targeted annual rates of return.

**C. The Non-Split Strike Client Accounts**

20. BLMIS had many IA Clients other than Split Strike Clients (the "Non-Split Strike Clients"). As described more fully below, the Non-Split Strike Clients were promised that their investment funds would be used to buy and sell securities in strategies that would realize annual returns in varying amounts up to at least approximately 45 percent per year. Madoff, DiPascali, ANNETTE BONGIORNO and JOANN CRUPI, a/k/a "Jodi," the defendants, and others, took steps to make it appear that funds from the Non-Split Strike Clients had been invested and generated the returns they had been promised by Madoff when, in fact, they had not.

**D. BLMIS Operations and Computer Systems**

21. BLMIS made use of numerous information technology systems in support of its Market Making, Proprietary Trading and IA businesses. Madoff, DiPascali, DANIEL BONVENTRE, ANNETTE BONGIORNO, and JOANN CRUPI, a/k/a "Jodi," the defendants, and their co-conspirators relied upon BLMIS computers operated by BLMIS employees, and computer programs developed and maintained by JEROME O'HARA and GEORGE PEREZ, the defendants, among others, to carry out and conceal the fraudulent scheme.

**1. House 05: Market Making and Proprietary Trading**

22. The operations of the Market Making and Proprietary Trading businesses were supported principally by two

computer systems, among others: (1) a STRATUS trading platform; and (2) an IBM AS/400 server known internally at BLMIS (and referred to herein) as "House 05."<sup>2</sup>

a. The STRATUS system was responsible for, among other things, effectuating the trading activities of BLMIS and, to that end, communicated with third parties, including trading contra parties. The data generated through the STRATUS system about BLMIS trades (including, for example, dates, times, number of shares, and stock symbols) were regularly transferred to House 05.

b. JEROME O'HARA and GEORGE PEREZ, the defendants, were familiar with the "back-end" processing on House 05 of the trades executed on behalf of the Market Making and Proprietary Trading businesses. Among other things, these "back-end" programs processed data captured during the order entry and execution process by the STRATUS system to create various BLMIS books and records including, but not limited to, trading blotters and stock ledgers. House 05 also had software that enabled communication with third parties including, but not limited to, the Depository Trust Company ("DTC"),<sup>3</sup> and obtained data from

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<sup>2</sup> On or about April 30, 1993, BLMIS began using two IBM AS/400 servers (including House 05) at its offices at 885 Third Avenue, New York, New York, in connection with its Market Making, Proprietary Trading and IA businesses.

<sup>3</sup> Among other things, DTC creates efficiencies in the clearing and settlement of securities transactions by retaining

those third parties for use in creating BLMIS books and records. BLMIS employees regularly used the programs on House 05 to compare trading data received from the STRATUS system with information obtained from DTC and generated "break sheets" showing any discrepancies between BLMIS's information and DTC's data.

c. Both O'HARA and PEREZ were responsible for developing programs for, and maintaining, House 05. O'HARA and PEREZ had direct knowledge of House 05, the BLMIS books and records created by House 05, the sources of data that House 05 incorporated into BLMIS's books and records, and the manner in which House 05 received information from third parties, including DTC.

## 2. House 17: The IA Business

23. The operations of the IA business were supported by House 17, which was a separate IBM AS/400 server. As JEROME O'HARA and GEORGE PEREZ, the defendants, well knew, unlike House 05, House 17 did not receive trading data related to the IA business electronically from any computer that communicated with third parties, including trading contra parties. Rather, Madoff,

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custody of securities on behalf of financial institutions and recording on its books and records changes in the ownership of those securities. BLMIS had an account at DTC in which the securities of the Market Making and Proprietary Trading operations were custodied, as well as a few equity securities held on behalf of certain IA Clients.

DiPascali, ANNETTE BONGIORNO and JOANN CRUPI, a/k/a "Jodi," the defendants, and others involved in the IA business, created trading data related to the purported activities of the IA business and caused that data to be entered into the House 17 server.

24. JEROME O'HARA and GEORGE PEREZ, the defendants, developed and maintained computer programs on House 17 (the "House 17 Programs") that were used to enter fake IA business trade data. The House 17 Programs were used to generate, among other things, account statements, trade confirmations, trading blotters, and other books and records related to BLMIS's purported IA business. As O'HARA and PEREZ well knew, House 17, unlike House 05, did not obtain data concerning the purported trades related to the IA business from DTC, although it could have been programmed to do so. As O'HARA and PEREZ further knew, House 17, unlike House 05, did not reconcile the purported trade data generated by BLMIS employees against any outside source.

25. The House 17 Programs produced fake IA business books and records as follows:

a. For Split Strike Clients: (i) information about a basket of purported trades (purchases when entering the market, and sales when exiting the market) was entered into House 17 and was used to generate data reflecting purported trades; (ii) the data describing the purported trades was stored in

several files, including the Settled Trades File; (iii) trade data and other information stored on House 17 was merged with information contained in a file titled "A.NAME" (the "A.NAME File"), which contained certain information about all the IA Clients, including, but not limited to, unique BLMIS account numbers, the names of account holders, and the mailing addresses to which statements and other documents were to be sent; (iv) the merged information was formatted for presentation on BLMIS account statements and confirmation slips; and (v) account statements and confirmation slips were printed and distributed to IA Clients, primarily through the U.S. mails.

b. For IA Clients who were not Split Strike Clients, the process was similar; however, because their "trades" generally did not include purported "basket trades," those trades were entered individually into House 17 based on instructions provided by BLMIS employees on an account-by-account basis.

26. The books and records generated by the House 17 Programs for BLMIS's IA business were entirely false and fraudulent because, among other things, they purported to reflect securities transactions that, in fact, had never been executed.

**E. Avellino & Bienes and the Liquidity Crisis of 1992**

27. In or about 1992, the SEC brought charges against Avellino & Bienes ("A&B"), an investment fund that was invested primarily in BLMIS, for offering securities in unregistered



transactions to investors in violation of the law. Consequently, a receiver was appointed by the court in the SEC's enforcement action (the "Receiver"). Since A&B's funds were at BLMIS, the Receiver required that BLMIS liquidate the A&B accounts and provide account records substantiating the values and trading in those accounts.

28. Madoff well knew that A&B falsely had represented to its clients that BLMIS was engaged in bona fide convertible arbitrage, a market neutral investment strategy involving the simultaneous purchase of convertible securities and the short sale of the same issuer's common stock. In fact, the purported trades in the numerous A&B accounts, which for years had been created by ANNETTE BONGIORNO, the defendant, did not follow a consistent, organized, or diversified investment strategy that mitigated risk. In order to generate for the Receiver and the SEC the historical records that purported to substantiate profitable trades in the A&B accounts, Madoff enlisted the help of DiPascali, BONGIORNO and JOANN CRUPI, a/k/a "Jodi," the defendants, and others in developing a strategy whereby the A&B statements would be recreated to reflect what A&B had represented to its clients.

29. Over several months, ANNETTE BONGIORNO, the defendant, and others, created historical records and account statements that purported to reflect profitable trading in the

A&B accounts. BONGIORNO made revisions to the account statements to hide from the Receiver and the SEC the existence of, and transactions in, certain IA accounts. For example, an IA account held in the name of Avellino & Alpern ("A&A") periodically had transferred funds to and from an A&B account. An account statement issued to A&B in 1989 showed a transfer of funds that A&B had received from A&A. In order to hide from the Receiver the existence of the A&A account and the 1989 transfer, BONGIORNO created revised A&B account statements to reflect this inflow of funds as a purported dividend from General Motors, instead of as a transfer from A&A. None of these revisions would have been necessary if the trades and positions reflected on the account statements had been real in the first place. Further, as BONGIORNO well knew, the resulting, fabricated account statements were provided to the Receiver.

30. Because the positions A&B held at BLMIS did not exist, they could not be liquidated to redeem A&B's investments upon the dissolution of A&B. Moreover, in or about the Fall of 1992, the IA Bank Account did not have enough funds to pay the hundreds of millions of dollars due the Receiver and, ultimately, the A&B customers. In order to provide funds for this purpose, in or about November 1992, Madoff obtained securities from at least two IA clients and used those securities as collateral for loans. Some of the loan proceeds were transferred to BLMIS bank

accounts and were used to pay off a portion of the balance due the Receiver and, ultimately, A&B customers.

31. DANIEL BONVENTRE, the defendant, was aware of the deposit of securities from the two IA clients, and that the securities belonged to the IA clients, not BLMIS. In fact, the securities were credited to the IA clients' respective IA accounts and were reflected on the IA clients' respective account statements as of November 30, 1992. BONVENTRE also was aware of the balance in the IA Bank Account and reviewed and initialed documents reflecting the balance in the IA Bank Account in or about October and November 1992.

32. DANIEL BONVENTRE, the defendant, well knew that loan proceeds were used to pay off a portion of the balance due the Receiver and, ultimately, A&B customers. However, BONVENTRE caused the inclusion of entries into the G/L, and/or its supporting books and records, that falsely created the appearance that the loan proceeds that had been used to pay A&B, and/or its customers, had been used to purchase assets for BLMIS.

33. The Receiver, upon receipt of the liquidated funds and in reliance on the false account statements altered by Madoff, DiPascali, ANNETTE BONGIORNO and JOANN CRUPI, a/k/a "Jodi," the defendants, and others, reimbursed the thousands of A&B investors for the full amount of the purported investments, in excess of \$300 million.

The Management of the Non-Split Strike Client IA Accounts

34. From at least as early as the 1990s, through in or about December 2008, ANNETTE BONGIORNO, the defendant, managed hundreds of Non-Split Strike IA Clients' accounts for which BLMIS purportedly used an investment strategy using long and short equities. The accounts managed by BONGIORNO purportedly had a cumulative balance of approximately \$8.5 billion as of November 30, 2008. From at least as early as the 2000s, through in or about December 2008, JOANN CRUPI, a/k/a "Jodi," also managed several Non-Split Strike IA accounts purportedly invested in equities and options, and those accounts had a cumulative balance of approximately \$900 million as of November 30, 2008.

35. ANNETTE BONGIORNO and JOANN CRUPI, a/k/a "Jodi," the defendants, managed these Non-Split Strike IA accounts by identifying which trades to include on IA Clients' account statements using historical price information reported in the Wall Street Journal and Bloomberg. BONGIORNO and CRUPI created trades with the goal of arriving at a specific annual rate of return, called a "benchmark" rate of return, that was pre-determined by Madoff. Benchmark returns ranged from approximately 11 percent to up to at least approximately 45 percent per year and varied depending on the IA Client. Madoff communicated the benchmark returns for each account or group of

accounts to BONGIORNO and CRUPI, who in turn caused the benchmark returns to be entered into House 17.

36. At the end of each month, quarter or year, ANNETTE BONGIORNO and JOANN CRUPI, a/k/a "Jodi," the defendants, and others, reviewed BLMIS reports comparing the benchmark return for each account with the purported year-to-date "returns" earned by Non-Split Strike Client accounts they managed. When there were differences between the benchmark returns and the returns that purportedly had been earned by the time the reports were run, BONGIORNO, CRUPI, and others, created trades and adjustments in certain IA Clients' accounts to ensure that the annual returns reported to the Non-Split Strike Clients appeared to meet or exceed their expected returns.

A. ANNETTE BONGIORNO's Management of Hundreds of Non-Split Strike IA Accounts

37. From at least as early as the early 1990s, through in or about December 2008, ANNETTE BONGIORNO, the defendant, managed hundreds of Non-Split Strike IA accounts (the "Bongiorno High Net Worth Clients"). During the course of managing these IA accounts which contained billions of dollars, BONGIORNO, among other things, (a) "executed" trades in the accounts of the Bongiorno High Net Worth Clients only on paper, based on historically reported prices of securities that she researched, and that achieved annual rates of return that had been pre-determined by Madoff; (b) processed exceptional gains in the IA

accounts of the Bongiorno High Net Worth Clients that purportedly occurred months before the IA accounts had been established; (c) asked Bongiorno High Net Worth Clients to return previously-issued BLMIS account statements so that she could alter them, and often include additional backdated trades; (d) received specific instructions from the Bongiorno High Net Worth Clients about the amount of appreciations and gains they wanted to be reflected in their IA accounts; and (e) used the STMTPRO program, described in paragraph 40 below, to create dozens of IA account statements for the Bongiorno High Net Worth Clients that contained tens of millions of dollars worth of gains from trades created by BONGIORNO months before the Bongiorno High Net Worth Clients' accounts even had been opened at BLMIS.

38. As part of the process of creating trades to be reflected in the Bongiorno High Net Worth Clients' accounts, BONGIORNO either referred to an internal report, titled "Jodi Stocks," which was based on data from Bloomberg and showed price changes for many of the stocks in the S&P 500 during the previous month, quarter, and year, or she directed others to print reports directly from Bloomberg that reflected similar information. Using the historical price information, BONGIORNO and others wrote up trade tickets setting forth the details of particular trades to be reflected on individual BLMIS account statements. Specifically, BONGIORNO and others filled in trade tickets with

stock symbols, trade dates, settlement dates, the nature of the transaction (e.g., a buy, sell, short, or cover), the price of the security, the number of shares, and sometimes the expected gain or loss associated with the transaction.

39. Generally, all trade tickets were completed and entered into House 17 at the end of the month, or the beginning of the following month, prior to the account statements being issued, and the trades were reflected on the month-end statements that were sent to IA Clients.

40. At times, ANNETTE BONGIORNO, the defendant, and others, backdated trades so that they appeared to have occurred months earlier on IA Clients' account statements. To do so, BONGIORNO and others created an account statement using a House 17 computer program called "STMTPRO."<sup>1</sup> The STMTPRO program was created at least as early as 1993, and was maintained by JEROME O'HARA and GEORGE PEREZ, the defendants, since at least that time. STMTPRO allowed the user to either create an account statement with a largely blank account statement, or revise an existing account statement. BONGIORNO often used STMTPRO to make account statements from a previous month in order to incorporate backdated trades.

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<sup>1</sup> This program went through several modifications since its inception and, as a result, was saved as several different versions on House 17.

41. ANNETTE BONGIORNO, the defendant, asked certain IA Clients to return account statements they previously had received from BLMIS. BONGIORNO, at times, crossed the statements out and wrote new transactions and balances, and other changes, on these statements that were to be included on revised statements. BONGIORNO then caused the changes to be entered on House 17, and used STMTPRO to create manipulated statements reflecting the newly "revised" transactions and balances. These revised statements were then distributed to certain IA Clients.

42. In or about the early 1990s, when some House 17 programs were modified to track investor trades, ANNETTE BONGIORNO, the defendant, requested the ability to backdate trades and manipulate the appearance of IA account statements. BONGIORNO worked closely with DANIEL BONVENTRE, the defendant, to develop the programs that could produce the manipulated account statements, transactions, and balances; and, on occasion, BONGIORNO described in written detail to BONVENTRE how she wanted these programs to work. For example, in or about the early 1990s, BONGIORNO wrote to BONVENTRE, stating:

"Dan . . . Here are some of the problems with the new programs that I saw right away. . . I need the ability to give any settlement date I want[.] Trades can be punched any time on any day and as long as the settlement date is after the previous month end these trades have to hit the ledgers & statement in the correct settlement date order. If settlement date is before previous month end then they should be listed on current month end statements and ledgers first. No trades should show as 'as ofs' unless I



want them to. No comps should have entry dates on them just trade and settlement."

**B. JOANN CRUPI's Management of IA Clients' Accounts**

43. From approximately the early 2000s, through in or about December 2008, JOANN CRUPI, a/k/a "Jodi," the defendant, managed several IA accounts affiliated with an IA Client (the "Crupi High Net Worth Client"). During the course of managing these IA accounts, which purportedly contained approximately \$900 million as of November 30, 2008, CRUPI created account statements, trade confirmations, and other documents that reflected securities transactions that had not been executed and securities positions that did not exist. In addition, CRUPI, among other things, (a) "executed" trades in the accounts of the Crupi High Net Worth Client only on paper, based on historically reported prices of securities that she researched, and that achieved annual rates of return that had been pre-determined by Madoff; (b) backdated the purchase dates of purported trades so that she could control the amount of gains reflected in the Crupi High Net Worth Client accounts; (c) "executed" the purchase and sale of particular securities on the same date; (d) caused dividends to be credited to the Crupi High Net Worth Client account statements before the dividends had been paid by the issuing company; (e) caused wire transfers to be sent to the Crupi High Net Worth Client before any securities were sold in the accounts and, days later, backdated purported sales of

securities or U.S. Treasury bills to match the date of the wire transfers, making it appear that the sales occurred on the same day as the wire transfers.

Reviews of BLMIS Between 2003 and 2008

44. BLMIS was subjected to at least five separate reviews by the SEC and a European accounting firm (the "European Accounting Firm") between 2003 and 2008 (collectively, the "Reviews").<sup>2</sup>

45. Beginning at least as early as in or about December 2003, in connection with the Reviews, Madoff and/or DiPascali caused DANIEL BONVENTRE, JOANN CRUPI, a/k/a "Jodi," JEROME O'HARA and GEORGE PEREZ, the defendants, to create additional false and fraudulent BLMIS's books and records. Madoff's goals in directing the creation of additional false and fraudulent books and records included, among other things:

- (a) revealing information about as few of BLMIS's IA Clients as possible, thereby concealing the scale of the business;
- (b) presenting explanations of BLMIS's operations that would make it more difficult for the SEC and/or the European Accounting Firm to attempt to verify with third parties the information provided by BLMIS; and
- (c) falsifying information to ensure that the

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<sup>2</sup> The European Accounting Firm's client was a European financial institution that served as custodian for the assets of an IA client (the "European IA Client") and that had a sub-custodian agreement with BLMIS.

documents produced looked authentic and did not contain suspicious patterns that might alert the SEC and/or the European Accounting Firm to the fraud.

46. In an effort to achieve these goals, Madoff caused: (a) DiPascali, DANIEL BONVENTRE, JOANN CRUPI, a/k/a "Jodi," JEROME O'HARA and GEORGE PEREZ, the defendants, and others, to create fake "special" versions of historical BLMIS books and records to show to the SEC and the European Accounting Firm; and (b) DiPascali, BONVENTRE, O'HARA and PEREZ, and others, to create false documents purportedly obtained from third parties in the ordinary course of BLMIS's business.

47. The "special" versions of historical BLMIS documents were prepared only for a small subset of the BLMIS IA Clients (the "Special Clients") so that Madoff could conceal the scale of his purported IA business. DiPascali and JOANN CRUPI, a/k/a "Jodi," the defendant, assisted in selecting the "Special Clients" accounts that would be shown to the SEC and the European Accounting Firm, knowing that the few Special Clients ultimately selected represented only a small fraction of the thousands of IA Clients at BLMIS. In her desk, CRUPI maintained a list of Special Clients.

#### The False "Special" Trade Blotters

48. JOANN CRUPI, a/k/a "Jodi," JEROME O'HARA and GEORGE PEREZ, the defendants, created false retrospective daily

trade blotters ("the Special Blotters") that purported to identify, on a trade-by-trade basis, information such as the client for whom the trade was conducted, the contra party to the trade, the number of shares traded, and the price at which the trade was executed. The Special Blotters reported information that was materially inconsistent with information contained in the BLMIS Settled Trades File. As described in further detail below, O'HARA and PEREZ developed and maintained special House 17 Programs (the "Special House 17 Programs") and files, many of which were used in conjunction with one another, to create the Special Blotters.

A. O'HARA and PEREZ Changed the Identities of Certain IA Clients on the Special Blotters

49. In connection with the SEC's 2004 Review, Madoff attempted to make it appear that BLMIS did not have custody of its IA Clients' assets because he knew that, were the SEC to check with DTC, it would learn that DTC was not holding the securities listed on the IA Clients' account statements in a segregated account for BLMIS. To explain why DTC would not hold these securities, Madoff directed the preparation of documents in a "receive-versus-payment"/"delivery-versus-payment" ("RVP/DVP") format that showed no securities or cash balances in the accounts of IA Clients.<sup>3</sup> To be consistent with an RVP/DVP scenario, the

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<sup>3</sup> In a RVP/DVP arrangement, payment for securities purchased is made to the selling customer's agent and/or delivery

names of the Special Clients were changed to financial institutions holding assets for the benefit of the Special Clients because RVP/DVP accounts require the involvement of such a custodian.

50. In creating the Special Blotters to prepare for the SEC's 2004 Review, JEROME O'HARA and GEORGE PEREZ, the defendants, used a file titled "S.NAME6" that contained information different from that contained in the A.NAME File, described in paragraph 25(a) above, to produce account statements, blotters and other books and records with misleading and inaccurate information about the identities of BLMIS clients. Not only did the S.NAME6 File contain information about a small fraction (approximately 20) of the thousands of IA Clients whose information was contained in the A.NAME File, but the information about the Special Clients was changed to make it falsely appear that the IA account holders were financial institutions that held custody of the IA Clients' assets for the benefit of those clients. For example, an account held in the name of "ABC Fund"

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of securities sold is made to the buying customer's agent in exchange for payment at time of settlement, usually in the form of cash. Because transactions in RVP/DVP accounts are settled directly with the agent on a transaction-by-transaction basis, account statements sent by a broker-dealer like BLMIS to customers with RVP/DVP accounts generally do not reflect any cash balance or security position with the broker-dealer at the end of a period. Thus, an RVP/DVP account is inconsistent with an account as to which the broker-dealer holds securities on behalf of a client at DTC in a segregated position.

in the A.NAME File was changed to "XYZ Financial Institution f/b/o ABC Fund" in the S.NAME6 File.<sup>4</sup> Other special programs developed and maintained by O'HARA and PEREZ for the purpose of producing documents for the SEC in 2004 drew client information from the S.NAME6 File rather than the A.NAME File. As a consequence, those Special House 17 Programs produced blotters, account statements, and other books and records with misleading and inaccurate information about the identities of BLMIS clients.

51. For subsequent Reviews by the SEC and the European Accounting Firm in 2005 and 2006, JEROME O'HARA and GEORGE PEREZ, the defendants, created other versions of the S.NAME File (e.g., S.NAME7, S.NAME7B, and S.NAME8) that were used in connection with creating Special Blotters and other false and fraudulent documents, including false account statements.

B. BONVENTRE, CRUPI, O'HARA and PEREZ Changed Details About the Number of Shares, Execution Times, Contra Parties, and Transaction Numbers for Trades Reported on the Special Blotters

52. JEROME O'HARA and GEORGE PEREZ, the defendants, also developed and maintained Special House 17 Programs that, in connection with the 2004, 2005 and 2006 SEC Reviews, enabled Madoff and DiPascali to change information about trades that purportedly already had occurred. For example, O'HARA and PEREZ developed and maintained Special House 17 Programs to: (a)

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<sup>4</sup> "F/b/o" is a term that means "for the benefit of."

randomly divide each equity trade contained in the Settled Trades File associated with the Special Clients into up to 15 separate "slices"; (b) randomly assign to each subdivided equity trade a false execution time so as to ensure, among other things, that the assigned trade times for equities occurred during trading hours in London, before the U.S. equities markets had opened; and (c) randomly assign a new fake transaction number to each subdivided equity trade in the Special Blotter for the SEC's Review.

53. Although the Settled Trades File identified the contra party for each purported trade as "CLEARING BANK," at the direction of Madoff and DiPascali, DANIEL BONVENTRE, JOANN CRUPI, a/k/a "Jodi," JEROME O'HARA and GEORGE PEREZ, the defendants, changed or participated in changing the contra parties on the Special Blotters.

54. JEROME O'HARA and GEORGE PEREZ, the defendants, also created a series of modifications to the S.NAME files and other House 17 Programs that allowed BLMIS to present different scenarios to the SEC and the European Accounting Firm about the purported contra parties to BLMIS "trades."

55. Specifically, when the SEC was performing a review, Madoff and DiPascali, with the assistance of DANIEL BONVENTRE, JOANN CRUPI, a/k/a "Jodi," JEROME O'HARA and GEORGE PEREZ, the defendants, and other co-conspirators, for the purpose

of producing documents to the SEC that would conceal the true operations of BLMIS, caused Special Blotters to be created that falsely showed that BLMIS had executed trades on behalf of the Special Clients with European contra parties about which it would be more difficult for the SEC to obtain information as part of its review.

56. Conversely, when the European Accounting Firm was performing a review, BLMIS took the opposite approach by making it appear as though trades occurred with contra parties in the United States. Madoff and DiPascali, with the assistance of DANIEL BONVENTRE, JOANN CRUPI, a/k/a "Jodi," JEROME O'HARA and GEORGE PEREZ, the defendants, and other co-conspirators, caused Special Blotters to be created that falsely showed that BLMIS had executed trades on behalf of Special Clients with United States-based contra parties about which it would be less likely for the European Accounting Firm to obtain information as part of its review.

57. For his part, DANIEL BONVENTRE, the defendant, reviewed a list of European financial institutions to be used as contra parties.

58. In addition to changing the contra parties, JOANN CRUPI, a/k/a "Jodi," the defendant, ensured that the fake Special Blotters looked authentic. For example, CRUPI checked whether the financial institutions used as purported contra parties



appeared in a random fashion on the Special Blotters. When CRUPI found that a financial institution was used too frequently in the Special Blotters, and therefore the Blotters did not look authentic, she brought it to the attention of DiPascali. CRUPI and DiPascali then discussed methods of solving the problem with GEORGE PEREZ and/or JEROME O'HARA, the defendants. In CRUPI's desk, she maintained a list of European financial institutions to be used as contra parties on the fake Special Blotters.

59. JOANN CRUPI, a/k/a "Jodi," the defendant, also checked the fake Special Blotters to ensure that they looked authentic by reviewing whether the purported execution times of the trades looked "random" enough. CRUPI ensured that the Special Blotters did not reflect too many trades occurring at the same times, or other peculiarities that would alert the SEC or the European Accounting Firm that the Special Blotters were fake. When CRUPI found that a Special Blotter showed too many trades that purportedly occurred at a particular time, she brought it to the attention of DiPascali. DiPascali and CRUPI then discussed the problem, and methods of solving it, with GEORGE PEREZ and/or JEROME O'HARA, the defendants.

**JEROME O'HARA and GEORGE PEREZ Created False and Fraudulent Order Entry And Execution Reports**

60. In connection with the Reviews, JEROME O'HARA and GEORGE PEREZ, the defendants, also developed and maintained House 17 Programs that retrospectively created false and fraudulent

order entry and execution reports (the "Special OERs"), based in part on the output from the Special Blotter programs described above. The Special OERs included information about when orders for equity securities had been executed (as found in the Special Blotters), in addition to the times at which the order underlying each executed equity trade purportedly had been placed.

61. JEROME O'HARA and GEORGE PEREZ, the defendants, developed and maintained Special House 17 Programs that added false order information to the fictitious trade execution information contained in the Special Blotters. The programs they developed employed a series of mathematical formulas to generate, at random, the time that any given purported order for the purchase or sale of an equity was placed.

**JEROME O'HARA Created False and Fraudulent Records  
About BLMIS Commissions**

62. On or about January 6, 2004, the SEC requested certain information and documents from BLMIS including, but not limited to, information about commissions, broken out by customer and by security, received by BLMIS in connection with its work on behalf of certain IA Clients.

63. Among the first Special House 17 Programs developed and maintained by JEROME O'HARA, the defendant, in connection with the SEC's 2004 review of BLMIS, were a series of computer programs (the "2004 Special Commission Programs") that were created within a few days after BLMIS received the SEC's

January 6, 2004 document request. Because BLMIS did not actually earn any commissions on its "trades," the 2004 Special Commission Programs generated fake retrospective reports for the period under review that falsely purported to show commissions received by BLMIS broken out by account and by security by multiplying the shares traded for those clients by \$0.04 per share. In fact, no such trades ever had occurred, and therefore no such calculation of the commissions owed to BLMIS in connection with the IA business previously had been made.

**JOANN CRUPI, JEROME O'HARA and GEORGE PEREZ**  
**Created False and Fraudulent IA Client Account Statements**

64. To meet the goals set forth in paragraph 45 above, at certain times, including during certain SEC Reviews, Madoff wanted to produce documents concerning certain IA Clients in an RVP/DVP format.

65. DiPascali, JOANN CRUPI, a/k/a "Jodi," JEROME O'HARA and GEORGE PEREZ, the defendants, created false IA account statements in a completely different format from the IA account statements that regularly had been sent to all IA Clients, including the 2004 Special Clients, for years. The RVP/DVP statements created by DiPascali, JOANN CRUPI, a/k/a "Jodi," JEROME O'HARA and GEORGE PEREZ, the defendants, at the direction of Madoff, showed additional fake transactions that had not been reported to the 2004 Special Clients and which zeroed out any securities balances (the "Special RVP/DVP Statements"). Whereas

the non-RVP/DVP statements showed long positions and/or cash balances in the clients' accounts, the Special RVP/DVP Statements provided to the SEC did not show any long or short positions being held by BLMIS on behalf of the account holders.

66. Further, so that BLMIS would not have to verify that it was holding IA Clients assets, the account titles were changed on some of the Special RVP/DVP Statements. Specifically, the names of account holders were changed to financial institutions holding accounts for the benefit of the Special Clients.

67. In creating the Special RVP/DVP Statements, JOANN CRUPI, a/k/a "Jodi," the defendant, researched financial institutions to be used in the altered account titles and caused the account titles to be changed. For example, an account held in the name of "ABC Fund" was changed to "XYZ Financial Institution f/b/o ABC Fund." Once the account titles were changed on the Special RVP/DVP Statements, the altered account titles also were reflected on the Special Trade Blotters, and related documents, as described in Paragraphs 49-50 above.

68. JEROME O'HARA and GEORGE PEREZ, the defendants, wrote, modified and/or maintained House 17 Programs that created Special RVP/DVP Statements.

69. The Special RVP/DVP Statements were created in connection with the SEC Reviews in 2004, 2005 and 2006, and were kept at BLMIS as part of its books and records.

**DANIEL BONVENTRE, JEROME O'HARA AND GEORGE PEREZ**  
**Created False and Fraudulent DTC Reports**

70. DANIEL BONVENTRE, JEROME O'HARA and GEORGE PEREZ, the defendants, were familiar with the process by which House 05 obtained information from DTC about the securities held at DTC on behalf of BLMIS's Market Making and Proprietary Trading businesses. BONVENTRE, O'HARA and PEREZ knew that: (a) House 05 communicated directly with computers at DTC and received data from DTC in several files, including an "APIBAL" file, after providing BLMIS's DTC account number and password; and (b) programs on House 05 enabled users to compare the information obtained from DTC with that produced by the STRATUS system.

71. On or about January 31, 2004, JEROME O'HARA, the defendant, created a House 17 Program ("DTC17EOM") designed to generate a monthly report that looked like the reports previously produced by DTC for House 05, but which added the purported holdings of the IA Special Clients to the BLMIS holdings for its Proprietary Trading and Market Making operations. DTC17EOM permitted an operator to pull the DTC APIBAL file for a given month using the House 05 backup tape for that month and to add the Special Clients' purported stock records obtained from the House 17 Stock Record File to that file. DTC17EOM enabled a

BLMIS computer operator to print fraudulent DTC reports that reflected the combined data.

72. As DANIEL BONVENTRE, JEROME O'HARA and GEORGE PEREZ, the defendants, well knew, false and fraudulent DTC reports derived from DTC17EOM and other programs developed and maintained by O'HARA and PEREZ, and which were reviewed by BONVENTRE, were intended to be shown to representatives of the European Accounting Firm who visited BLMIS during the 2005 Review.

**BLMIS Payments to JEROME O'HARA and GEORGE PEREZ**  
**After the SEC's 2004 Review of BLMIS**

73. After the SEC's 2004 review of BLMIS, in or about October 2004, JEROME O'HARA, the defendant, received a payment from BLMIS totaling approximately \$116,950. The payment was disguised as a transfer from an IA Account to another IA Account held in the names of O'HARA and his wife. The payment to O'HARA was not indicated in the records of BLMIS as salary, bonus or other type of compensation. The \$116,950 in funds were "invested" at BLMIS and purportedly earned approximately \$33,500 in gains until O'HARA withdrew the funds in or about 2006, as described below.

74. Similarly, in or about October 2004, GEORGE PEREZ, the defendant, received a payment from BLMIS totaling approximately \$108,530. The payment was disguised as a transfer from an IA Account to another IA Account held in the name of

PEREZ and his wife. The payment to PEREZ was not indicated in the records of BLMIS as salary, bonus or other type of compensation. The funds were "invested" at BLMIS and purportedly earned approximately \$53,800 in gains until PEREZ withdrew the funds in or about 2006, as described below.

**BONVENTRE, O'HARA and PEREZ Empty Their IA Accounts**

75. During the SEC's review of BLMIS in 2006, DANIEL BONVENTRE, JEROME O'HARA and GEORGE PEREZ, the defendants, each emptied their IA Accounts on or about the same date - April 6, 2006.

76. On or about April 6, 2006, DANIEL BONVENTRE, the defendant, during the course of the 2006 SEC Review, received a check drawn on the IA Bank Account in the amount of approximately \$577,954.81 ("Check No. 1"). On or about April 7, 2006, Check No. 1 was deposited in a bank account held by BONVENTRE and his wife.

77. Following the deposit of Check No. 1, Bonventre's IA account reflected a balance of approximately -\$116,944.81. Bonventre's IA account statement reflecting activity through June 30, 2006 shows a journal entry in the amount of approximately \$116,944.81, which then brought the balance in the account to \$0.

78. On or about April 6, 2006, JEROME O'HARA, the defendant, during the course of the 2006 SEC Review, closed BLMIS

IA Accounts in which he had an interest and received more than \$976,000 by checks.

79. On or about April 6, 2006, GEORGE PEREZ, the defendant, during the course of the 2006 SEC Review, closed a BLMIS IA Account in which he had an interest and received approximately \$289,000 by check.

**The Conduct of The Defendants**  
**After the 2006 SEC Review of BLMIS**

80. In or about September 2006, JEROME O'HARA and GEORGE PEREZ, the defendants, met with Madoff and DiPascali and stated that they would no longer create computer programs used to produce false and fraudulent BLMIS books and records.

81. In or about September 2006, in an effort to keep JEROME O'HARA and GEORGE PEREZ, the defendants, working at BLMIS, Madoff authorized DiPascali to meet any salary demands made by O'HARA and PEREZ. DiPascali transmitted Madoff's offer to both O'HARA and PEREZ.

82. In or about the Fall of 2006, JEROME O'HARA and GEORGE PEREZ, the defendants, demanded salary increases of approximately 20 percent. In or about November 2006, O'HARA and PEREZ each received a salary increase of approximately 20 percent and also received net bonuses of approximately \$64,812, and \$60,165, respectively.



83. In or about the Fall of 2006, JOANN CRUPI, a/k/a "Jodi," the defendant, also received a salary increase of approximately 20 percent.

84. When JOANN CRUPI, a/k/a "Jodi," the defendant, learned that JEROME O'HARA and GEORGE PEREZ, the defendants, refused to create computer programs used to produce false and fraudulent BLMIS books and records, CRUPI offered to provide additional assistance with the "special" work.

85. In or about February 2008, the European Accounting Firm conducted another review of BLMIS. Even though they previously had refused to create programs to produce more fake books and records, JEROME O'HARA and GEORGE PEREZ, the defendants, agreed to create computer programs that allowed DiPascali, JOANN CRUPI, a/k/a "Jodi," the defendant, and others, to use House 17 to alter data about IA Clients and to produce false and fraudulent BLMIS books and records in connection with that review.

86. In or about 2008, JOANN CRUPI, a/k/a "Jodi," the defendant, received another salary increase of approximately 20 percent.

87. In addition, in or about 2008, JOANN CRUPI, a/k/a "Jodi," the defendant, received payments from Madoff totaling more than \$2,700,000, which she used in part to purchase a beach house in Mantoloking, New Jersey, for approximately \$2,225,000.

Specifically, on or about June 25, 2008, Madoff made a payment of \$475,000 to CRUPI. These funds were transferred directly out of the IA Bank Account, the account into which IA Clients' money was deposited. On or about October 16, 2008, Madoff made another payment to CRUPI in the amount of \$2,225,000. These funds also were transferred directly out of the IA Bank Account.

88. The payments to JOANN CRUPI, a/k/a "Jodi," the defendant, were not indicated in the records of BLMIS as salary, bonus or other type of compensation to CRUPI.

#### BLMIS's Finances

##### A. The Principal Bank and Brokerage Accounts of BLMIS and MSIL

89. Billions of dollars of funds received from IA Clients for investment were deposited principally into the IA Bank Account. The funds used to fulfill requests from IA Clients for withdrawals from their BLMIS accounts were obtained principally from the IA Bank Account. The IA Bank Account was maintained most recently at a bank in New York, New York ("Bank No. 1"), along with a checking account maintained at Bank No. 1 that was affiliated with the IA Bank Account (the "IA Checking Account").

90. The end-of-day balances in the IA Bank Account - balances which generally were in the range of hundreds of millions of dollars during the 2001-2008 period - were swept into a variety of overnight deposit accounts (the "IA Sweep

Accounts"). In addition, beginning in or about 2007, in excess of approximately \$1 billion was invested in U.S. Treasury bills and other similar investments and was custodied in a separate account held by BLMIS at Bank No. 1. (The above-described BLMIS accounts held at Bank No. 1 collectively are referred to herein as the "IA Bank Account"). Interest earned on those investments generally was transferred to the IA Bank Account on a regular basis.

91. BLMIS maintained a separate bank account that was principally used to fund, directly and indirectly, the operations of BLMIS (the "BLMIS Operating Account"). The BLMIS Operating Account was custodied most recently at a bank in New York, New York ("Bank No. 2"). BLMIS opened one or more lines of credit at Bank No. 2 (collectively the "Bank No. 2 LOC").

92. At all times relevant to this Indictment, BLMIS also maintained brokerage accounts at a variety of financial institutions (the "IA Brokerage Accounts"). Funds in the IA Brokerage Accounts generally were invested in U.S. Government-issued securities such as U.S. Treasury bills.

93. At all times relevant to this Indictment, MSIL maintained a bank account in the United Kingdom (the "MSIL Bank Account").

**B. Maintaining The IA Bank Account**

94. Before approximately the mid-1990s, ANNETTE BONGIORNO, the defendant, kept track of the daily balance and the funds transferred into and out of the IA Bank Account. In or about the mid-1990s, this responsibility was transferred from BONGIORNO to JOANN CRUPI, a/k/a "Jodi," the defendant.

95. From approximately the mid-1990s, through in or about December 2008, JOANN CRUPI, a/k/a "Jodi," the defendant, prepared handwritten note cards reflecting the daily balance, as well as the funds transferred into and out of the IA Bank Account (the "Note Cards"). On a daily basis, CRUPI also prepared a report regarding the IA Bank Account for Madoff and others (the "Daily Report"). The Daily Report, which was handwritten, set forth on a single page the day's opening balance, the end-of-day balance, the funds transferred to BLMIS by check or wire by IA Clients that were deposited into the IA Bank Account, and funds transferred out of the IA Bank Account, including all redemptions sent to IA Clients. The Daily Report also listed redemptions that IA Clients had requested but that had not yet been fulfilled.

96. By tracking, on a daily basis, the cash flowing into and out of the IA Bank Account and listing the redemptions that had been requested, but not yet fulfilled, the Daily Report enabled Madoff, DiPascali, JOANN CRUPI, a/k/a "Jodi," the

defendant, and others to determine whether there were sufficient funds available to cover requested redemptions.

97. When the balance on the Daily Report appeared too low to cover the expected redemptions, JOANN CRUPI, a/k/a "Jodi," the defendant, often brought this to the attention of DiPascali or Madoff and asked them whether additional client funds would be coming in to BLMIS to cover the expected redemptions.

98. From at least in or about the 1990s through in or about 2008, DANIEL BONVENTRE, the defendant, reconciled or supervised the reconciliation of the IA Bank Account on a monthly basis. Further, BONVENTRE often reviewed and initialed the Note Cards maintained by JOANN CRUPI, a/k/a "Jodi," the defendant, that kept track of the daily balance and the funds transferred into and out of the IA Bank Account.

C. The Use of IA Funds to Support BLMIS's Market Making and Proprietary Trading Operations

99. As DANIEL BONVENTRE, the defendant, and others, well knew, between in or about 1998 and in or about December 2008, hundreds of millions of dollars were transferred from the IA Bank Account to the BLMIS Operating Account, either directly or through other accounts including the IA Brokerage Accounts and the MSIL Bank Account. These transfers were accounted for improperly: (a) in the G/L in the asset account titled "Trading"; and/or (b) in the G/L as revenue in the form of "Commissions Revenue;" and/or (c) on BLMIS Financial and Operational Combined

Uniform Single Reports ("FOCUS Reports") filed with the SEC as BLMIS revenue in the form of "Gains or losses on firm securities trading accounts from all other trading;" and/or (d) on BLMIS FOCUS reports as "Commissions on transactions in listed equity securities executed on an exchange." In truth and in fact, however, and as BONVENTRE well knew, contrary to the entries in the G/L, substantially all of these transfers originated with the IA Bank Account and not from any trading activities of BLMIS, or from any commissions earned by BLMIS.

**D. The Financial Condition of BLMIS**

100. Beginning at least as early as in or about 2002, as DANIEL BONVENTRE, the defendant, well knew, BLMIS's Market Making and Proprietary Trading operations did not generate sufficient revenue to meet BLMIS's expenses.

101. Moreover, as DANIEL BONVENTRE, the defendant, well knew, BLMIS suffered a liquidity crisis between in or about November 2005 and June 2006 caused by demands for withdrawals by IA Clients that exceeded the firm's available funds.

**1. The Liquidity Crisis: November 2005-June 2006**

102. On or about November 2, 2005, BLMIS's Daily Report for the IA Bank Account showed an end-of-day balance of approximately \$13 million - a sum that was insufficient to cover the approximately \$105 million in payments by BLMIS scheduled to be made to IA Clients for the following three business days.

Therefore, funds were transferred from the BLMIS Brokerage Accounts to meet the cash needs of the IA operations on or about November 3, 2005.

a. The Client A Bonds

103. On or about November 4, 2005, an IA client ("IA Client A") sent approximately \$100 million of Federal Home Loan Bank ("FHLB") bonds to BLMIS to be credited to accounts affiliated with IA Client A. DANIEL BONVENTRE, the defendant, was well aware of the deposit of the FHLB bonds and the fact that they were to be credited to accounts affiliated with IA Client A.

104. On or about November 14, 2005, DANIEL BONVENTRE, the defendant, directed that a letter be written to Bank No. 1 in which he requested a \$95 million loan on behalf of BLMIS using Client A's FHLB bonds as collateral.

105. On or about January 18, 2006, IA Client A sent another approximately \$54 million of FHLB bonds to BLMIS to be credited to accounts affiliated with IA Client A. (The \$154 million in FHLB bonds described in this paragraph and paragraph 103, above, are referred to herein collectively as the "Client A Bonds.") DANIEL BONVENTRE, the defendant, was aware of the deposit of the Client A Bonds and the fact that they belonged to Client A, not BLMIS.

106. On or about January 23, 2006, DANIEL BONVENTRE, the defendant, caused BLMIS to borrow another approximately \$50

million using the Client A Bonds as collateral. (The approximately \$145 million in debt incurred by BLMIS using the Client A Bonds as collateral is referred to herein collectively as the "Client Collateralized Loans.") The proceeds of the Client Collateralized Loans were deposited in the IA Bank Account and were used to satisfy requests for withdrawals from IA Clients.

**b. The "Four Wire Transfers"**

107. Between in or about January 2006 and in or about April 2006, deposits by IA Clients into the IA Bank Account failed to keep pace with requests for withdrawals by IA Clients.

108. Between in or about January 2006 and in or about April 2006, approximately four wire transfers totaling approximately \$262 million were made from the BLMIS Operating Account directly to four separate IA Clients to satisfy their requests for withdrawals from their respective IA accounts (the "Four Wire Transfers"). Those transfers occurred on January 30, 2006 (approximately \$28 million), February 1, 2006 (approximately \$38 million), April 4, 2006 (approximately \$76 million), and April 13, 2006 (approximately \$120 million).

109. Because the Four Wire Transfers came out of the BLMIS Operating Account (which, unlike the IA Bank Account, was reflected on the G/L) those transactions had to be accounted for on the G/L. According to Generally Accepted Accounting



Principles ("GAAP"), and SEC rules and regulations, the G/L, and/or its supporting books and records, were required to reflect accurately BLMIS's use of, and/or the recipients of, the Four Wire Transfers.

110. DANIEL BONVENTRE, the defendant, directed the inclusion of entries in the G/L and its supporting books and records that concealed the fact that the Four Wire Transfers related to IA business operations (including withdrawals by IA Clients). The G/L entries and other books and records that BONVENTRE caused to be made falsely created the appearance that the Four Wire Transfers had been used to purchase assets for BLMIS (including the Client A Bonds), when, in fact, they had not been used for that purpose.

111. Likewise, in or about June 2006, DANIEL BONVENTRE, the defendant, made entries on the G/L related to transactions that transferred approximately \$261.8 million from the IA Bank Account to the BLMIS Operating Account in a way that further concealed the purpose of the Four Wire Transfers and the relationship between the BLMIS Operating Account and the IA business operations.

112. On or about June 1, 2006, and June 6, 2006, DANIEL BONVENTRE, the defendant, caused entries to be made in the G/L that, in substance, reversed the entries that had concealed the true purpose of the Four Wire Transfers in the first instance.

Specifically, two wire transfers (approximately nearly \$110 million and approximately \$151.8 million, respectively) totaling approximately \$261.8 million were executed from the IA Bank Account to the BLMIS Operating Account, thereby repaying the BLMIS Operating Account for substantially all of the funds that had been used to keep the Ponzi scheme going through the Four Wire Transfers. As BONVENTRE well knew, entries on the G/L, and its supporting books and records, failed accurately to reflect the purpose of these two wire transfers.

c. BLMIS Incurs Hundreds of Millions of Dollars of Debt to Meet the Liquidity Crisis

113. On or about March 31, 2006, BLMIS drew down approximately \$110 million on the Bank No. 2 LOC. On or about April 12, 2006, another approximately \$160 million was drawn on the Bank No. 2 LOC. The balance owed on the Bank No. 2 LOC reached a peak of approximately \$342 million on or about May 25, 2006.

114. On or about June 1, 2006, the Client Collateralized Loans balance of approximately \$145 million was fully repaid using funds from the IA Bank Account.

115. On or about June 1, 2006, the principal balance of the Bank No. 2 LOC was reduced by approximately \$103 million. On or about June 6, 2006, the principal balance of the Bank No. 2 LOC was reduced by an additional approximately \$167 million.

116. Following the resolution of the 2005-06 liquidity crisis, in or about June 2006, substantially all of the funds that were deposited in the IA Bank Account were investor funds, or funds from the MSIL Account (that itself had been funded by monies received from the IA Bank Account), and IA Clients' requests for withdrawals were satisfied by the new investor funds in the IA Bank Account.

2. Filing a False and Misleading FOCUS Report With the SEC

117. As an SEC-registered broker-dealer, BLMIS was required to file FOCUS Reports on a monthly, quarterly, and annual basis. The FOCUS Reports required BLMIS to file with the SEC accurate balance sheet information, including a summary of the firm's assets and liabilities.

118. In his role as BLMIS's Director of Operations, DANIEL BONVENTRE, the defendant, provided information concerning BLMIS expenses that was used in preparation of the FOCUS Reports filed by BLMIS, and supervised others who were involved in the process of preparing those filings. As BONVENTRE well knew, the information contained in the BLMIS FOCUS Reports concerning BLMIS's assets, liabilities, revenues, and expenses, was derived from information recorded in the G/L.

119. Contrary to GAAP, and rules and regulations promulgated by the SEC, the G/L, and its supporting books and records, as well as the FOCUS Reports filed by BLMIS with the

SEC, failed accurately to reflect the assets contained in the IA Bank Account, the BLMIS Brokerage Accounts, and the other BLMIS IA Accounts, 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. The omitted assets and associated liabilities of BLMIS's IA operations were material.

120. As DANIEL BONVENTRE, the defendant, well knew, the FOCUS Reports filed by BLMIS with the SEC failed accurately to reflect the assets contained in the IA Bank Account, the BLMIS Brokerage Accounts and the other BLMIS IA Accounts, 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 FOCUS Reports filed by BLMIS with the SEC, ranged from millions to billions of dollars.

121. For example, as DANIEL BONVENTRE, the defendant, well knew, BLMIS's liabilities were understated by at least approximately \$299 million in a FOCUS Report filed by BLMIS with the SEC on or about May 22, 2006.

**DANIEL BONVENTRE Received Proceeds From False and Fraudulent Profitable "Trades" Executed In His IA Account**

122. DANIEL BONVENTRE, the defendant, maintained at BLMIS an IA account (the "Bonventre IA Account") from at least as early as 1983 through December 2008. At BONVENTRE's request,

ANNETTE BONGIORNO, the defendant, created a number of backdated, fictitious trades to create false gains in his account. One series of trades in a particular stock was backdated by approximately twelve years, and produced a purported gain of over \$999,000. Two more series of backdated trades were created in 2004 and 2006 for illicit "profits" of over \$977,000. As described below, between approximately 2002 and 2006, BONVENTRE received the benefit of more than approximately \$1.8 million in three separate backdated securities transactions in the BONVENTRE IA Account that, in fact, were not actually executed.

**A. The November 2002 Fictitious Big Lots "Trade"**

123. On or about November 12, 2002, Madoff signed a check drawn on the IA Bank Account made out to DANIEL BONVENTRE, the defendant, and his wife in the amount of approximately \$999,375 ("Check No. 2"). That check was thereafter deposited in a joint bank account held by BONVENTRE and his wife (the "Bonventre Bank Account").

124. On or about November 22, 2002, ANNETTE BONGIORNO, the defendant, directed a backdated trade to be entered in the records of the Bonventre IA Account maintained on House 17 that purportedly had taken place in 1990, approximately twelve years earlier. The false trade created by BONGIORNO had the effect of showing, on paper, purchases of 40,000 shares of common stock of Consolidated Stores on January 31, 1990, for approximately

\$90,000, and sales of approximately 62,500 shares of common stock of Big Lots Inc. (adjusted for a stock split and the change of Consolidated Stores' corporate name to Big Lots Inc.) on September 26, 2002, for approximately \$1,089,375. These purported purchases and sales of Big Lots Inc. common stock resulted in purported long-term gains of approximately \$999,375.

125. The backdated trades in Big Lots were created in order to disguise payments made by BLMIS to DANIEL BONVENTRE, the defendant, as a stock transaction in order for BONVENTRE to take advantage of the lower tax rate for long-term capital gains (as opposed to the higher tax rate for ordinary income).

126. Following the backdated Big Lots "trade," and the withdrawal effected through Check No. 2, the Bonventre IA Account reflected a balance of approximately \$182,000.

**B. The July 2004 Fictitious Lucent "Trade"**

127. The Bonventre IA Account statements for the period March 2003 through March 2004 reflected no securities positions, and a constant cash balance of approximately \$182,000. In or about April 2004, DANIEL BONVENTRE, the defendant, and his wife received from BLMIS a check drawn on the IA Account in the amount of approximately \$200,000, and the balance in the Bonventre IA Account was reduced by the same amount, leaving a balance, as of on or about April 30, 2004, of approximately -\$18,000.

128. On or about July 12, 2004, at the direction of ANNETTE BONGIORNO, the defendant, a series of false, backdated trades were entered in the records of the Bonventre IA Account maintained on House 17. Those false trades had the effect of showing, on paper: (a) the purchase of approximately 90,000 shares of common stock of Lucent Technologies Inc. ("Lucent") on March 11, 2003, for a total price of approximately \$144,000; (b) the purchase of approximately 67,000 shares of Lucent on March 12, 2003, for a total price of approximately \$102,510; (c) the sale of approximately 67,000 shares of Lucent on April 19, 2004, for a total price of approximately \$285,420; and (d) the sale of approximately 90,000 shares of Lucent on April 20, 2004, for a total price of approximately \$360,900.

129. The purported purchases and sales of Lucent stock described above, resulted in purported net profits of approximately \$399,810. ANNETTE BONGIORNO, the defendant, documented this transaction on an account statement belonging to DANIEL BONVENTRE, the defendant, on which she wrote: "Dan had me put thru a profit trade for 399,810.00 then add that figure to cap additions." Immediately following the Lucent "transaction," the Bonventre IA Account reflected a balance of approximately \$381,000.

130. The backdated trades in Lucent were created in order to disguise payments made by BLMIS to DANIEL BONVENTRE, the

defendant, as a stock transaction in order for BONVENTRE to take advantage of the lower tax rate for long-term capital gains (as opposed to the higher tax rate for ordinary income).

131. On or about May 25, 2005, a check drawn on the IA Bank Account in the amount of approximately \$400,000 ("Check No. 3") was made out to DANIEL BONVENTRE, the defendant, and his wife. Immediately following the withdrawal effected by Check No. 3, the Bonventre IA Account reflected a cash balance of approximately -\$18,190.

**C. The March 2006 Fictitious Apple "Trade"**

132. During the period between in or about January 2005 through in or about February 2006, the Bonventre IA Account statements reflected no securities positions, and a constant cash balance of approximately -\$18,190.00.

133. In or about March 2006, DANIEL BONVENTRE, the defendant, provided the following handwritten instructions to ANNETTE BONGIORNO, the defendant:

Hi Annette

As per our phone conversation, I  
need a long term capital gain of  
\$449000.- on an investment of  
\$129000.- for a sale proceed of  
\$578000.--

I'll be back in NY on March 30<sup>th</sup>  
but if you need to speak to me before  
then, call me on []

Thanks  
Dan



134. On or about March 31, 2006, ANNETTE BONGIORNO, the defendant, entered a series of purported trades in the records of the Bonventre IA Account. Those false trades had the effect of showing: (a) the purchase of approximately 8,000 shares of common stock of Apple Computer Inc. ("Apple") on January 25, 2005, for a total price of approximately \$577,760; and (b) the sale of approximately 16,000 shares of Apple on March 9, 2006, for total proceeds of approximately \$1,056,960.<sup>5</sup>

135. The backdated trades in Apple were created in order to disguise payments made by BLMIS to DANIEL BONVENTRE, the defendant, as a stock transaction in order for BONVENTRE to take advantage of the lower tax rate for long-term capital gains (as opposed to a higher tax rate for ordinary income).

136. The purported purchases and sales of Apple, described above, resulted in purported net long term gains of approximately \$479,200, and immediately following the Apple "transaction," the Bonventre IA Account reflected a balance of approximately \$461,010. On or about April 6, 2006, BONVENTRE received a check drawn on the IA Bank Account in the amount of approximately \$577,954.81. A balance of -116,944.81 resulted and, as described in paragraph 77 above, BONVENTRE's IA Account balance was brought to \$0.

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<sup>5</sup> The additional 8,000 shares were credited to the Bonventre IA Account as a consequence of a two-for-one Apple stock split on March 2, 2005.

ANNETTE BONGIORNO Received Proceeds from False and Fraudulent Profitable "Trades" Executed in Her IA Accounts

137. ANNETTE BONGIORNO, the defendant, and her husband, "Rudy," maintained a BLMIS account called the RuAnn Family Plan account, named after Rudy and ANNETTE BONGIORNO (the "RuAnn Account") at least as early as the 1980's, and recruited many individuals to invest in it. BONGIORNO created and sent handwritten statements that purportedly showed each RuAnn Account investor's interest in the consolidated RuAnn Account.

138. ANNETTE BONGIORNO, the defendant, opened a bank account in the name of the RuAnn Family Plan at another financial institution. This bank account was used to channel funds between RuAnn Account investors and the IA Bank Account. In or about 1993, most or all of the RuAnn Account investors' investments in the RuAnn Account were transferred to individual Split Strike IA accounts managed by DiPascali. BONGIORNO did not close the RuAnn Account at BLMIS after 1993, but instead, as discussed below, used it as one of her own accounts to create profitable "trades" for her personal benefit over the following 15 years.

139. ANNETTE BONGIORNO, the defendant, managed several BLMIS IA accounts held in her name, her husband's name, and/or jointly with her husband. Just as she did in the accounts of other IA Clients, BONGIORNO created "trades" in her own BLMIS accounts to reflect extraordinary gains. BONGIORNO first invested in a BLMIS account in or about 1975. Although BONGIORNO

deposited only approximately \$920,000 into her own accounts since in or about 1975, she withdrew approximately \$14.5 million during the same period. The cumulative value of BONGIORNO's IA accounts, on or about November 30, 2008, was approximately \$53 million. These high balances and BONGIORNO's withdrawals were made possible only through backdated, highly profitable trades created in her accounts.

140. ANNETTE BONGIORNO, the defendant, maintained several BLMIS accounts in her name, and regularly managed the activity in three of these accounts. BONGIORNO followed the same basic steps to create gains in these accounts as she did to create gains in investor accounts generally. Most of the trades in her accounts were backdated to create extraordinary gains or to avoid losses.

141. For example, in or about 2002, ANNETTE BONGIORNO, the defendant, created gains in one of her IA accounts by shorting WorldCom stock as the company's financial performance, credit ratings and share price rapidly declined. Throughout 2002, none of BONGIORNO's accounts reflected a position or activity in WorldCom. BONGIORNO obtained a Bloomberg report, printed on June 3, 2002, with WorldCom daily stock prices from December 24, 2001, through June 3, 2002. On or about June 3, 2002, BONGIORNO caused short trades to be reflected in her account to create a gain of approximately \$1.039 million by

taking advantage of a more than 87 percent drop in share price between on or about January 11, 2002, and on or about May 31, 2002.

142. On or about June 27, 2002, the same day the SEC filed civil charges accusing WorldCom of financial accounting fraud, ANNETTE BONGIORNO, the defendant, locked in approximately \$653,000 of these gains. BONGIORNO did so by creating backdated cover positions to secure the more than 55 percent drop in share price between on or about January 11, 2002, and on or about March 26, 2002.

143. ANNETTE BONGIORNO, the defendant, also created profits to eliminate a deficit in one of her IA accounts by backdating trades in 2006 to take advantage of a rise in Apple's stock price. At the end of June 2006, one of BONGIORNO's IA accounts had a reported net account balance of negative \$2.2 million. On or about August 1, 2006, BONGIORNO purported to purchase Apple stock on or about July 13, 2006. As BONGIORNO well knew when she created the trades, Apple's share price had increased by over 31 percent between on or about July 13 and on or about July 31, 2006, and the backdated "purchase" yielded \$2.85 million in gains and a positive balance of approximately \$136,000 in her account.

144. ANNETTE BONGIORNO, the defendant, backdated a short trade to avoid losses she otherwise would have incurred due

to a drop in Apple's stock price in or around September 2008. On or about October 1, 2008, BONGIORNO entered a purported trade that was backdated to on or about September 3, 2008, in which she shorted 175,000 shares of Apple. As BONGIORNO well knew when she created this trade, Apple's stock had fallen by over 32 percent between on or about September 3 and on or about September 30, 2008, and the short "trade" allowed her to avoid a loss of approximately \$9.5 million.

145. ANNETTE BONGIORNO, the defendant, created trades to avoid losses she would have incurred due to a Summer 2008 price drop in the Fannie Mae stock she purported to hold in two of her accounts. BONGIORNO purported to buy Fannie Mae stock on or about October 31, 2007, and to have held it through the Summer of 2008. On or about August 1, 2008, BONGIORNO backdated a sale of Fannie Mae shares to on or about April 29, 2008, thereby avoiding losses of approximately \$2.3 million that would have resulted from the more than 61 percent decrease in stock price between those two dates. BONGIORNO did not seek to avoid the entire stock drop, and realized a \$3.5 million loss from the diminution in share price before BONGIORNO's purported April 29, 2008 sale date. BONGIORNO directed that STMTPRO statements be created on or about August 28, 2008, for May, June, and July 2008 to reflect these trades and adjusted beginning balances, ending balances, and stock positions in the corresponding months.

146. ANNETTE BONGIORNO, the defendant, created gains in her accounts in or around the Fall of 2008 by backdating shorts on SPDRs (securities designed to track the performance of the S&P 500 index), which were declining with the overall market at that time. BONGIORNO obtained a Bloomberg report, printed on or about October 29, 2008, showing SPDR prices from in or about late September 2008 through on or about October 29, 2008. On or about November 3, 2008, BONGIORNO caused her accounts to reflect short positions in SPDRs on or about September 26 and 30, 2008, at slightly different prices. Due to the more than 17 percent drop in share price, BONGIORNO enjoyed a gain as of on or about October 31, 2008 of approximately \$11.1 million.

147. ANNETTE BONGIORNO, the defendant, avoided losses in one of her accounts in or around the Fall 2008 by backdating the sale of Aetna stock she purportedly held in one of her accounts. On or about October 1, 2008, BONGIORNO caused purported sales of 228,000 shares of Aetna stock to be reflected in her account as of on or about August 29 and September 2, 2008. These backdated sales allowed her to avoid an 18 percent share price drop and related loss of approximately \$1.8 million. BONGIORNO created additional trades to avoid losses in her account on or about October 1, 2008, by reflecting short positions on another 400,000 Aetna shares in her account as of on or about September 18 and 19, 2008. This allowed her to avoid a

loss of approximately \$1.9 million related to the more than 5 percent drop in share price between on or about September 18 and September 30, 2008.

148. At or around the end of October 2008, ANNETTE BONGIORNO, the defendant, cancelled the backdated shorts and replaced them with backdated sales of the same Aetna shares, on the same days, at the same prices. BONGIORNO did this in response to an SEC restriction on naked shorting in various stocks.<sup>6</sup>

**Between 2003 and 2007, DANIEL BONVENTRE Received From BLMIS More Than Approximately \$270,000 in "Off-the-Books" Income**

149. Between on or about February 10, 2003, and on or about October 29, 2007, DANIEL BONVENTRE, the defendant, received and deposited into one or more bank accounts in which he had an interest, approximately six checks, drawn on a BLMIS bank account, as shown below (the "Bonventre Checks"):

<u>Date</u>	<u>Amount</u>
February 10, 2003	\$33,300.00
November 12, 2003	\$65,000.00
December 21, 2004	\$18,420.24
January 13, 2006	\$61,900.00
January 17, 2007	\$35,000.00
October 29, 2007	\$60,000.00

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<sup>6</sup> Naked short selling, or naked shorting, is the practice of short-selling a financial instrument without first borrowing the security or ensuring that the security can be borrowed, as is conventionally done in a short sale.

150. None of the approximately \$273,620.24 received by DANIEL BONVENTRE, the defendant, through the Bonventre Checks, was reported by BLMIS or BONVENTRE to the United States Internal Revenue Service as salary, bonus or any other form of income.

Between 2004 and 2008, ANNETTE BONGIORNO Received From BLMIS More Than Approximately \$325,000 in "Off-the-Books" Income

151. In addition to the withdrawals ANNETTE BONGIORNO, the defendant, made from trading accounts under her management, BONGIORNO also maintained two additional accounts in which she did not create fake trades, but from which she withdrew approximately \$883,000 since in or about January 1990. These two accounts - "BLM Special 1" and "BLM Special 2" - belonged to both BONGIORNO and her husband. Although no trading in either of these accounts was reflected since at least as early as in or about 1992, BONGIORNO routinely made withdrawals from these accounts until BLMIS collapsed in December 2008. Monthly account statements reflected these withdrawals and an increasing debit (i.e., negative) balance over time.

152. Between in or about 2004 and in or about 2008, ANNETTE BONGIORNO, the defendant, received approximately \$325,000 in cash, withdrawn from these two BLMIS accounts owned by BONGIORNO and her husband, as shown below:



<u>Year</u>	<u>BLM Special 1</u>	<u>BLM Special 2</u>	<u>Total Checks</u>	<u>Total Amount</u>
2004	\$40,500	\$45,000	38	\$85,500
2005	\$28,000	\$33,100	31	\$61,100
2006	\$34,000	\$32,000	30	\$66,000
2007	\$24,000	\$37,500	27	\$61,500
2008	\$23,500	\$27,500	23	\$51,000
<b>Total</b>	<b>\$150,000</b>	<b>\$175,100</b>	<b>149</b>	<b>\$325,100</b>

153. None of the approximately \$325,100 received by ANNETTE BONGIORNO, the defendant, through the "BLM Special 1" and "BLM Special 2" accounts was reflected in the records of BLMIS, or reported by BLMIS or BONGIORNO to the United States Internal Revenue Service, as salary, bonus or any other form of compensation.

**Between 2004 and 2008, JOANN CRUPI Received From BLMIS More Than Approximately \$270,000 in "Off-the-Books" Income**

154. Between in or about 2004, and in or about 2008, JOANN CRUPI, a/k/a "Jodi," the defendant, charged more than approximately \$270,000 in personal charges to a BLMIS American Express account, in the approximate amounts detailed below:

<u>Year</u>	<u>Approximate Amount of Personal Charges</u>
2004	\$40,757
2005	\$56,238
2006	\$52,042
2007	\$63,120
2008	\$55,069

155. None of the more than approximately \$270,000 in benefits received by JOANN CRUPI, a/k/a "Jodi," the defendant, was reflected in the records of BLMIS, or reported by BLMIS or

CRUPI to the United States Internal Revenue Service, as salary or any other form of compensation.

The 2008 Liquidity Crisis and the Collapse of BLMIS

156. From at least in or about the Fall of 2008, requests for redemptions made by BLMIS IA Clients began to increase at a rate greater than investments made by new or existing clients. By in or about mid-November 2008, as this liquidity crisis deepened, Madoff, DiPascali, JOANN CRUPI, a/k/a "Jodi," the defendant, and others were concerned that BLMIS would not be able to fulfill the requests for redemptions, which were outpacing deposits at an increasing rate.

157. On or about November 3, 2008, the balance of the IA Bank Account reflected on the Daily Report, which was prepared or maintained by JOANN CRUPI, a/k/a "Jodi," the defendant, showed a balance of approximately \$487 million, and unfulfilled requests for redemptions totaling approximately \$1.447 billion.

158. On or about November 17, 2008, DANIEL BONVENTRE, the defendant, called Bank No. 1 and inquired about a loan of approximately \$200 million on behalf of BLMIS using Federal bonds as collateral.

159. On or about November 20, 2008, IA Client A sent approximately \$181 million of Federal Home Loan Bank ("FHLB") bonds to BLMIS to be credited to accounts affiliated with IA Client A. DANIEL BONVENTRE, the defendant, was well aware of the

deposit of the FHLB bonds and the fact that they belonged to an IA Client, not BLMIS. In fact, the \$181 million of FHLB bonds were credited to IA Client A's accounts on or about November 20, 2008, and were reflected on IA Client A's account statements as of November 30, 2008. (On or about December 1, 2008, the issuer called back \$46 million of the FHLB bonds.)

160. On or about November 25, 2008, the balance of the IA Bank Account reflected on the Daily Report, which was prepared or maintained by JOANN CRUPI, a/k/a "Jodi," the defendant, showed a balance of approximately \$266 million, and unfulfilled requests for redemptions totaling approximately \$759 million.

161. On or about December 1 and December 2, 2008, approximately \$181 million was transferred from the BLMIS Operating Account directly to the IA Bank Account.

162. Because the \$181 million in wire transfers came out of the BLMIS Operating Account (which, unlike the IA Bank Account, was reflected on the G/L) those transactions had to be accounted for on the G/L.

163. On or about December 2, 2008, DANIEL BONVENTRE, the defendant, directed the inclusion of entries in the G/L, and its supporting books and records, that falsely created the appearance that \$135 million (of the \$181 million) in wire transfers had been used to purchase assets for BLMIS (including

Client A's bonds) when, in fact, they had not been used for that purpose.

164. In fact, DANIEL BONVENTRE, the defendant, directed the inclusion in the G/L, and its supporting books and records, of IA Client A's bonds, identified with the same CUSIP number, creating the appearance that BLMIS had purchased the \$135 million in FHLB bonds.

165. On or about December 3, 2008, JOANN CRUPI, a/k/a "Jodi," the defendant, and DiPascali met on a street corner near BLMIS. DiPascali told CRUPI that Madoff had just told him that BLMIS was out of money and that there were no assets standing behind the BLMIS obligations reflected in the IA Clients' account statements.

166. By on or about December 4, 2008, the balance of the IA Bank Account as reflected on the Daily Report, which was prepared and maintained by JOANN CRUPI, a/k/a "Jodi," the defendant, showed a balance of only approximately \$295 million, and unfulfilled requests for redemptions totaling approximately \$1.455 billion – nearly twice the amount reflected on the November 25, 2008, Daily Report.

167. In the days following the December 3 meeting, JOANN CRUPI, a/k/a "Jodi," the defendant, and DiPascali discussed what they would say to law enforcement authorities once BLMIS eventually collapsed. DiPascali told CRUPI that he did not know

what he would say. CRUPI told DiPascali that she was going to say that she thought that the trades executed on behalf of the IA Clients were being done overseas.

168. On or about Sunday, December 7, 2008, JOANN CRUPI, a/k/a "Jodi," the defendant, and DiPascali met again in a restaurant in New Jersey and further discussed the liquidity crisis at BLMIS. CRUPI asked DiPascali what he was going to tell law enforcement authorities. CRUPI told DiPascali that she was "sticking to my story," and would tell law enforcement authorities that she thought that the trades executed on behalf of the IA Clients were being done overseas. CRUPI and DiPascali further discussed sending the remaining BLMIS funds to certain IA Clients and employees.

169. From approximately on or about December 3, 2008, through approximately on or about December 10, 2008, Madoff, DiPascali, JOANN CRUPI, a/k/a "Jodi," the defendant, and others, continued to take in more than approximately \$48 million of new deposits from investors.

170. During this time period, DiPascali, JOANN CRUPI, a/k/a "Jodi," the defendant, and others, prepared lists reflecting preferred employees, employee family members, and certain other IA Clients, and the balances in their respective IA accounts. DiPascali, CRUPI and others, also prepared checks, or caused checks to be prepared, for these preferred IA Clients so

that the remaining BLMIS funds would be sent to them, thereby putting the interests of the select few IA Clients ahead of all of the other IA Clients. More than approximately \$300 million in checks were prepared to be sent out to these preferred IA clients.

171. At the time BLMIS collapsed, JOANN CRUPI, a/k/a "Jodi," the defendant, had in her desk two Daily Journal Reports for December 11, 2008, listing the preferred IA Clients and the balances in their IA accounts, and reflecting CRUPI's handwritten calculations. CRUPI's desk also contained: a batch of checks made out to some of the preferred IA Clients in the amount of approximately \$176 million; a Daily Journal Report for December 10, 2008, reflecting the amount of new deposits by IA Clients on that date; and several ripped up duplicate checks.

#### STATUTORY ALLEGATIONS

##### The Conspiracy

172. From at least in or about 1992, up to and including on or about December 11, 2008, in the Southern District of New York and elsewhere, DANIEL BONVENTRE, ANNETTE BONGIORNO, JOANN CRUPI, a/k/a "Jodi," JEROME O'HARA and GEORGE PEREZ, the defendants, Bernard L. Madoff, Frank DiPascoli, Jr., and others known and unknown, unlawfully, willfully, and knowingly did combine, conspire, confederate and agree together and with each other to commit offenses against the United States, to wit, (a)

securities fraud, in violation of Title 15, United States Code, Sections 78j(b) and 78ff; and Title 17, Code of Federal Regulations, Section 240.10b-5; (b) falsifying the records of a broker-dealer, in violation of Title 15, United States Code, Sections 78q(a) and 78ff; and Title 17, Code of Federal Regulations, Section 240.17a-3; (c) falsifying the records of an investment adviser, in violation of Title 15, United States Code, Sections 80b-4 and 80b-17, and Title 17, Code of Federal Regulations, Section 275.204-2; and (d) causing the filing of false documents with the SEC, in violation of Title 15, United States Code, Sections 78q(a) and 78ff, and Title 17, Code of Federal Regulations, Section 240.17a-5.

### Objects of the Conspiracy

#### Securities Fraud

173. It was a part and an object of the conspiracy that DANIEL BONVENTRE, ANNETTE BONGIORNO, JOANN CRUPI, a/k/a "Jodi," JEROME O'HARA and GEORGE PEREZ, the defendants, Madoff, DiPascali, and others known and unknown, unlawfully, willfully, and knowingly, directly and indirectly, by use of the means and instrumentalities of interstate commerce, the mails, and the facilities of national securities exchanges, would and did use and employ manipulative and deceptive devices and contrivances in connection with the purchase and sale of securities, in contravention of Title 17, Code of Federal Regulations, Section

240.10b-5, by: (a) employing devices, schemes, and artifices to defraud; (b) making and causing BLMIS to make untrue statements of material fact and omitting to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and (c) engaging in acts, practices, and courses of business which operated and would operate as a fraud and deceit upon persons who invested in and through BLMIS, in violation of Title 15, United States Code, Sections 78j(b) and 78ff.

**Falsifying Records of a Broker-Dealer**

174. It was a further part and an object of the conspiracy that DANIEL BONVENTRE, ANNETTE BONGIORNO, JOANN CRUPI, a/k/a "Jodi," JEROME O'HARA and GEORGE PEREZ, the defendants, Madoff, DiPascali, and others known and unknown, unlawfully, willfully, and knowingly, did cause BLMIS, a registered broker-dealer, to fail to make and keep such records as the SEC, by rule, prescribed as necessary and appropriate in the public interest, for the protection of investors, and otherwise in furtherance of the purposes of the Securities Exchange Act of 1934, in violation of Title 15, United States Code, Sections 78q(a) and 78ff; and Title 17, Code of Federal Regulations, Section 240.17a-3.



**Falsifying Records of an Investment Adviser**

175. It was a further part and an object of the conspiracy that DANIEL BONVENTRE, ANNETTE BONGIORNO, JOANN CRUPI, a/k/a "Jodi," JEROME O'HARA and GEORGE PEREZ, the defendants, Madoff, DiPascali, and others known and unknown, unlawfully, willfully, and knowingly, by the use of the mails and means and instrumentalities of interstate commerce, in connection with BLMIS's business as an investment adviser, did cause BLMIS to fail to make and keep for prescribed periods such records, furnish such copies thereof and make and disseminate such reports as the SEC, by rule, prescribed as necessary and appropriate in the public interest and for the protection of investors, in violation of Title 15, United States Code, Sections 80b-4 and 80b-17; and Title 17, Code of Federal Regulations, Section 275.204-2.

**False Filings With the SEC**

176. It was a further part and an object of the conspiracy that DANIEL BONVENTRE, JEROME O'HARA and GEORGE PEREZ, the defendants, Madoff and others known and unknown, unlawfully, willfully, and knowingly, in applications, reports, and documents required to be filed with the SEC under the Securities Exchange Act of 1934, and the rules and regulations thereunder, did make and cause to be made statements that were false and misleading with respect to material facts, in violation of Title 15, United

States Code, Sections 78q(a) and 78ff; and Title 17, Code of Federal Regulations, Section 240.17a-5.

Means and Methods of the Conspiracy

177. Among the means and methods by which DANIEL BONVENTRE, ANNETTE BONGIORNO, JOANN CRUPI, a/k/a "Jodi," JEROME O'HARA and GEORGE PEREZ, the defendants, Madoff, DiPascali, and others, known and unknown, would and did carry out the conspiracy were the following:

a. BONGIORNO handled the receipt of funds sent to BLMIS by the IA Clients for investment; transferred IA Clients' funds between and among various BLMIS accounts; handled requests for redemptions sent to BLMIS by IA Clients; communicated with the IA Clients and answered their questions about their purported investments; and oversaw the creation and mailing to IA Clients of thousands of pages of accounts statements, trade confirmations, and other documents that contained backdated trades based on historical stock prices.

b. CRUPI created account statements and trade confirmations, and other documents, that reflected purported securities transactions that she calculated on the basis of historical stock prices.

c. At the direction of Madoff, DiPascali, and others, O'HARA and PEREZ developed and maintained computer programs that were used to generate false and fraudulent books

and records related to the operation of the IA business for the purpose of misleading the SEC about the nature, scale, and activities of BLMIS's IA business.

d. At the direction of Madoff, DiPascali, and others, O'HARA and PEREZ developed and maintained computer programs that were used to generate false and fraudulent books and records related to the operation of BLMIS's IA business for the purpose of misleading the European Accounting Firm about BLMIS's operations, including where the assets of the European Accounting Firm's client were being held.

e. CRUPI assisted in the creation of false and fraudulent books and records related to the operation of the IA business for the purpose of misleading the SEC and the European Accounting Firm.

f. BONVENTRE supervised the "back office" operations of BLMIS (i.e., the post-market processing, including the confirmation, payment, settling and accounting of transactions), prepared, and supervised the preparation and maintenance of, the G/L, and reconciled BLMIS bank accounts, including accounts associated with BLMIS's IA, Market Making and Proprietary Trading operations;

g. BONVENTRE prepared information to be included in FOCUS Reports made and kept by BLMIS, and filed by BLMIS with the SEC;

h. BONVENTRE acted as an authorized signatory for BLMIS in its business relationships with certain banks and DTC;

i. At BONVENTRE's request, BONGIORNO created a number of backdated trades to create gains in BONVENTRE's account.

j. BLMIS filed false and misleading documents with the SEC that omitted material information about its financial condition.

k. CRUPI kept track of the funds transferred into and out of the IA Bank Account and prepared a Daily Report regarding the IA Bank Account for Madoff and others.

l. Hundreds of millions of dollars of IA investor funds were used to support BLMIS's Market Making and Proprietary Trading operations, but were accounted for on BLMIS's books and records, including the G/L, so as to conceal the true source of the funds.

#### Overt Acts

178. In furtherance of the conspiracy and to effect the illegal objects thereof, DANIEL BONVENTRE, ANNETTE BONGIORNO, JOANN CRUPI, a/k/a "Jodi," JEROME O'HARA and GEORGE PEREZ, the defendants, and others known and unknown, committed the following overt acts, among others, in the Southern District of New York and elsewhere:

a. In or about 1992, in New York, New York, BONGIORNO fabricated A&B account statements to reflect the inflow of funds into the account as a dividend from General Motors, instead of a transfer of funds from another IA account.

b. In or about November 1992, in New York, New York, BONVENTRE caused false and fraudulent BLMIS books and records to be created.

c. On or about November 8, 2000, BONGIORNO caused approximately \$1,025,000 to be wire transferred from the IA Bank Account to a personal account held by BONGIORNO at another financial institution.

d. On or about November 22, 2002, in New York, New York, BONGIORNO created a backdated trade to be entered in the records of the BONVENTRE IA Account maintained on House 17 that purportedly had taken place approximately twelve years earlier.

e. On or about February 10, 2003, in New York, New York, BONVENTRE received a check in the amount of approximately \$33,300 from a BLMIS bank account.

f. On or about November 12, 2003, in New York, New York, BONVENTRE received a check in the amount of approximately \$65,000 from a BLMIS bank account.

g. On or about December 19, 2003, in New York, New York, O'HARA created a computer program that was used to

produce false and fraudulent BLMIS books and records for the IA business.

h. In or about January 2004, in New York, New York, PEREZ modified a computer program which was used to produce false and fraudulent BLMIS books and records for the IA business.

i. On or about January 7, 2004, in New York, New York, O'HARA created a computer program that was used to produce false and fraudulent BLMIS books and records for the IA business in connection with a review of BLMIS by the SEC.

j. In or about February 2004, in New York, New York, PEREZ modified a computer program used to produce false and fraudulent BLMIS books and records in connection with a review of BLMIS by the SEC.

k. On or about February 19, 2004, in New York, New York, O'HARA created a computer program that was used to produce false and fraudulent BLMIS books and records in connection with a review of BLMIS by the SEC.

l. On or about December 21, 2004, in New York, New York, BONVENTRE received a check in the amount of approximately \$18,420.24 from a BLMIS bank account.

m. In or about April 2005, in New York, New York, PEREZ modified a computer program that was used to produce false and fraudulent BLMIS books and records in connection with a review of BLMIS by the SEC.

n. On or about April 14, 2005, in New York, New York, PEREZ created a computer file that was used in conjunction with other computer files and computer programs to produce false and fraudulent BLMIS books and records in connection with a review of BLMIS by the SEC.

o. In or about October 2005, in New York, New York, PEREZ created a computer program that was used to produce false and fraudulent BLMIS books and records in connection with a review of BLMIS by the European Accounting Firm.

p. On or about October 21, 2005, in New York, New York, PEREZ created a computer file that was used in conjunction with other computer files and computer programs to produce false and fraudulent BLMIS books and records in connection with a review of BLMIS by the European Accounting Firm.

q. In or about the months preceding November 2005, in New York, New York, BONVENTRE prepared DiPascali to play the role of BLMIS's Director of Operations during a visit to the BLMIS offices by representatives of the European Accounting Firm.

r. On or about November 14, 2005, in New York, New York, BONVENTRE directed that a letter be written to a bank in which he requested a \$95 million loan on behalf of BLMIS.

s. In or about December 2005, in New York, New York, O'HARA modified a computer program that was used to produce

false and fraudulent BLMIS books and records in connection with a review of BLMIS by the SEC.

t. In or about December 2005, in New York, New York, PEREZ created a computer program that was used to produce false and fraudulent BLMIS books and records in connection with a review of BLMIS by the SEC.

u. In or about December 2005, in New York, New York, O'HARA modified a computer program that was used to produce false and fraudulent BLMIS books and records in connection with a review of BLMIS by the SEC.

v. In or about January 2006, in New York, New York, BONVENTRE contacted a bank to secure a \$50 million loan on behalf of BLMIS.

w. On or about January 11, 2006, in New York, New York, O'HARA created a computer disk that contained files including false and fraudulent BLMIS books and records, and which was produced to the SEC in connection with its review of BLMIS.

x. On or about January 13, 2006, in New York, New York, BONVENTRE received a check in the amount of approximately \$61,900 from a BLMIS bank account.

y. On or about January 30, 2006, in New York, New York, BONVENTRE created false and fraudulent BLMIS books and records.



z. On or about February 1, 2006, in New York, New York, BONVENTRE created false and fraudulent BLMIS books and records.

aa. On or about March 29, 2006, in New York, New York, CRUPI researched historical stock prices and created backdated trades in the account of an IA Client.

bb. On or about April 4, 2006, in New York, New York, BONVENTRE created false and fraudulent BLMIS books and records.

cc. On or about April 6, 2006, in New York, New York, O'HARA closed BLMIS IA Accounts in which he had an interest and received more than \$976,000 by checks.

dd. On or about April 6, 2006, in New York, New York, PEREZ closed a BLMIS IA Account in which he had an interest and received approximately \$289,000 by check.

ee. On or about April 17, 2006, in New York, New York, BONVENTRE created false and fraudulent BLMIS books and records.

ff. On or about June 1, 2006, in New York, New York, BONVENTRE created false and fraudulent BLMIS books and records.

gg. In or about June 2006, in New York, New York, a debt owed by BONVENTRE to BLMIS in the amount of approximately \$116,944.81 was canceled.

hh. In or about September 2006, in New York, New York, O'HARA and PEREZ met with Madoff and DiPascali and stated that they would no longer create computer programs used to produce false and fraudulent BLMIS books and records.

ii. In or about September 2006, in New York, New York, DiPascali told O'HARA and PEREZ that Madoff had authorized DiPascali to meet any salary demands made by O'HARA and PEREZ.

jj. In or about the Fall of 2006, in New York, New York, O'HARA and PEREZ demanded pay increases of approximately 20 percent.

kk. In or about November 2006, in New York, New York, O'HARA received a pay increase of approximately 20 percent.

ll. In or about November 2006, in New York, New York, O'HARA received a net bonus of approximately \$64,812.

nn. In or about November 2006, in New York, New York, PEREZ received a pay increase of approximately 20 percent.

oo. In or about November 2006, in New York, New York, PEREZ received a net bonus of approximately \$60,165.

pp. On or about January 17, 2007, in New York, New York, BONVENTRE received a check in the amount of approximately \$35,000 from a BLMIS bank account.

qq. On or about February 23, 2007, BONGIORNO caused approximately \$60,000 to be wire transferred from the IA

Bank Account to a personal account held by BONGIORNO at another financial institution.

rr. On or about October 29, 2007, BONVENTRE, in New York, New York, received a check in the amount of approximately \$60,000 from a BLMIS bank account.

ss. In or about February 2008, in New York, New York, O'HARA and PEREZ created computer programs that allowed DiPascali and others to produce false and fraudulent BLMIS books and records in connection with a review of BLMIS by the European Accounting Firm.

tt. On or about April 9, 2008, BONGIORNO caused approximately \$650,000 to be wire transferred from the IA Bank Account to a bank account held by BONGIORNO at another financial institution.

uu. In or about 2008, in New York, New York, CRUPI received a pay increase of approximately 20 percent.

vv. On or about June 25, 2008, in New York, New York, CRUPI caused approximately \$475,000 to be wire transferred from a BLMIS bank account to a trust account held at a law firm representing her in connection with a real estate purchase.

ww. On or about June 30, 2008, in New York, New York, CRUPI caused dividend income that was not paid until July 2008 to be reflected on an IA Client's June 30, 2008, account statement.

xx. On or about July 16, 2008, in New York, New York, CRUPI received a fax containing a list of financial institutions to be used as contra parties in false and fraudulent BLMIS books and records.

yy. On or about October 1, 2008, in New York, New York, BONGIORNO created false and fraudulent BLMIS books and records.

zz. On or about October 16, 2008, in New York, New York, CRUPI caused approximately \$2,225,000 to be wire transferred from a BLMIS bank account to a trust account held at a law firm representing her in connection with a real estate purchase.

aaa. On or about November 3, 2008, in New York, New York, BONGIORNO created false and fraudulent BLMIS books and records.

bbb. On or about November 17, 2008, BONVENTRE made a telephone call in which he requested a loan on behalf of BLMIS.

ccc. On or about December 1, 2008, in New York, New York, CRUPI created backdated trades in an IA Client's account that reflected sales of Treasury bills on November 17, 2008 in the amount of approximately \$5 million.

ddd. On or about December 2, 2008, in New York, New York, BONVENTRE created false and fraudulent BLMIS books and records.

eee. On or about December 3, 2008, CRUPI and DiPascali had a meeting in New York, New York.

fff. From on or about December 3, 2008, to on or about December 10, 2008, in New York, New York, CRUPI recorded the receipt of more than approximately \$48 million in investor deposits into the IA Bank Account.

ggg. In or about December 2008, in New York, New York, CRUPI prepared checks to preferred IA Clients.

(Title 18, United States Code, Section 371.

**COUNT TWO**  
**(Securities Fraud)**

179. The allegations contained in paragraphs 1 through 171 and 177 through 178 above are hereby repeated, realleged and incorporated by reference as if fully set forth herein, as setting forth a scheme to defraud.

180. From at least in or about 1992, through on or about December 11, 2008, in the Southern District of New York and elsewhere, DANIEL BONVENTRE, ANNETTE BONGIORNO, and JOANN CRUPI, a/k/a "Jodi," the defendants, unlawfully, willfully, and knowingly, directly and indirectly, by the use of means and instrumentalities of interstate commerce, the mails, and the facilities of national securities exchanges, in connection with the purchase and sale of securities, did use and employ manipulative and deceptive devices and contrivances, in violation of Title 17, Code of Federal Regulations, Section 240.10b-5, by:

(a) employing devices, schemes, and artifices to defraud; (b) making untrue statements of material facts and omitting to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and (c) engaging in transactions, acts, practices, and courses of business which operated and would operate as a fraud and deceit upon persons.

(Title 15, United States Code, Sections 78j(b) and 78ff;  
Title 17, Code of Federal Regulations, Section 240.10b-5;  
Title 18, United States Code, Section 2.)

**COUNT THREE**  
**(Falsifying Records of a Broker-Dealer)**

181. The allegations contained in paragraphs 1 through 171 and 177 through 178 above are hereby repeated, realleged and incorporated by reference as if fully set forth herein.

182. Between in or about 1992, and on or about December 11, 2008, DANIEL BONVENTRE, ANNETTE BONGIORNO, JOANN CRUPI, a/k/a "Jodi," JEROME O'HARA and GEORGE PEREZ, the defendants, unlawfully, willfully, and knowingly, did cause BLMIS, a registered broker-dealer, to fail to make and keep such records as the SEC, by rule, prescribed as necessary and appropriate in the public interest, for the protection of investors, and otherwise in furtherance of the purposes of the Securities Exchange Act of 1934, to wit, BONVENTRE, BONGIORNO, CRUPI, O'HARA

and PEREZ caused false and fraudulent books and records, including, among other things, client account statements, trade confirmations, trade blotters, order entry and execution reports, commission reports and/or DTC reports, to be made and kept by BLMIS, a broker-dealer.

(Title 15, United States Code, Sections 78q(a) and 78ff;  
Title 17, Code of Federal Regulations, Section 240.17a-3;  
Title 18, United States Code, Section 2.)

**COUNT FOUR**

**(Falsifying Records of an Investment Adviser)**

183. The allegations contained in paragraphs 1 through 171 and 177 through 178 above are hereby repeated, realleged and incorporated by reference as if fully set forth herein.

184. Between in or about 1992, and on or about December 11, 2008, in the Southern District of New York and elsewhere, DANIEL BONVENTRE, ANNETTE BONGIORNO, JOANN CRUPI, a/k/a "Jodi," JEROME O'HARA and GEORGE PEREZ, the defendants, unlawfully, willfully, and knowingly, by the use of the mails and means and instrumentalities of interstate commerce, directly and indirectly, in connection with BLMIS's business as an investment adviser, did cause BLMIS to fail to make and keep for prescribed periods such records, furnish such copies thereof, and make and disseminate such reports as the SEC, by rule, prescribed as necessary and appropriate in the public interest and for the protection of investors, to wit, BONVENTRE, BONGIORNO, CRUPI, O'HARA and PEREZ caused false and fraudulent books and records,

including, among other things, client account statements, trade confirmations, trade blotters, order entry and execution reports, commission reports and/or DTC reports, to be made and kept by BLMIS, an investment adviser.

(Title 15, United States Code, Sections 80b-4 and 80b-17;  
Title 17, Code of Federal Regulations, Section 275.204-2;  
Title 18, United States Code, Section 2.)

**COUNT FIVE**  
**(False Filing With the SEC)**

185. The allegations contained in paragraphs 1 through 171 and 177 through 178 above are hereby repeated, realleged and incorporated by reference as if fully set forth herein.

186. In or about May 2006, in the Southern District of New York and elsewhere, DANIEL BONVENTRE, the defendant, unlawfully, willfully, and knowingly, in applications, reports, and documents required to be filed with the SEC under the Securities Exchange Act of 1934, and the rules and regulations thereunder, did make and cause to be made statements that were false and misleading with respect to material facts, to wit, BONVENTRE aided and abetted the filing with the SEC of a false and misleading BLMIS FOCUS Report.

(Title 15, United States Code, Sections 78q(a) and 78ff;  
Title 17, Code of Federal Regulations, Section 240.17a-5;  
Title 18, United States Code, Section 2.)



**COUNT SIX**

**(Subscribing to a False U.S. Individual  
Income Tax Return for Tax Year 2003)**

187. The allegations contained in paragraphs 1 through 171 and 177 through 178 above are hereby repeated, realleged and incorporated by reference as if fully set forth herein.

188. On or about April 13, 2004, in the Southern District of New York and elsewhere, DANIEL BONVENTRE, the defendant, unlawfully, willfully and knowingly did make and subscribe a U.S. Individual Income Tax Return, Form 1040, for the tax year 2003, which return contained and was verified by the written declaration of DANIEL BONVENTRE that it was made under penalties of perjury, and which return DANIEL BONVENTRE did not believe to be true and correct as to every material matter, in that DANIEL BONVENTRE falsely omitted wage and other income of approximately \$98,300, whereas, as DANIEL BONVENTRE then and there well knew and believed, he was not entitled to omit that income from his 2003 return.

(Title 26, United States Code, Section 7206(1).)

**COUNT SEVEN**

**(Subscribing to a False U.S. Individual  
Income Tax Return for Tax Year 2004)**

189. The allegations contained in paragraphs 1 through 171 and 177 through 178 above are hereby repeated, realleged and incorporated by reference as if fully set forth herein.

190. On or about April 15, 2005, in the Southern District of New York and elsewhere, DANIEL BONVENTRE, the defendant, unlawfully, willfully and knowingly did make and subscribe a U.S. Individual Income Tax Return, Form 1040, for the tax year 2004, which return contained and was verified by the written declaration of DANIEL BONVENTRE that it was made under penalties of perjury, and which return DANIEL BONVENTRE did not believe to be true and correct as to every material matter, in that DANIEL BONVENTRE: (a) falsely omitted wage and other income of approximately \$18,420; and (b) falsely characterized hundreds of thousands of dollars of ordinary income as a long-term capital gain, whereas, as DANIEL BONVENTRE then and there well knew and believed, he was not entitled to omit the \$18,420 in income from his 2004 return, and that he was not entitled on that return to characterize the ordinary income he received as a long-term capital gain.

(Title 26, United States Code, Section 7206(1).)

**COUNT EIGHT**

**(Subscribing to a False U.S. Individual  
Income Tax Return for Tax Year 2006)**

191. The allegations contained in paragraphs 1 through 171 and 177 through 178 above are hereby repeated, realleged and incorporated by reference as if fully set forth herein.

192. On or about April 12, 2007, in the Southern District of New York and elsewhere, DANIEL BONVENTRE, the

defendant, unlawfully, willfully and knowingly did make and subscribe a U.S. Individual Income Tax Return, Form 1040, for the tax year 2006, which return contained and was verified by the written declaration of DANIEL BONVENTRE that it was made under penalties of perjury, and which return DANIEL BONVENTRE did not believe to be true and correct as to every material matter, in that DANIEL BONVENTRE, the defendant: (a) falsely omitted approximately \$61,900 of wage and other income; (b) falsely omitted approximately \$166,944 of cancellation-of-indebtedness income; and (c) falsely characterized hundreds of thousands of dollars of ordinary income as a long-term capital gain, whereas, as DANIEL BONVENTRE then and there well knew and believed, he was not entitled to omit the wage and other income, and cancellation-of-debt income, from his 2006 return, and that he was not entitled on that return to characterize the ordinary income he received as a long-term capital gain.

(Title 26, United States Code, Section 7206(1).)

**COUNT NINE**

**(Subscribing to a False U.S. Individual  
Income Tax Return for Tax Year 2007)**

193. The allegations contained in paragraphs 1 through 171 and 177 through 178 above are hereby repeated, realleged and incorporated by reference as if fully set forth herein.

194. On or about April 11, 2008, in the Southern District of New York and elsewhere, DANIEL BONVENTRE, the

defendant, unlawfully, willfully and knowingly did make and subscribe a U.S. Individual Income Tax Return, Form 1040, for the tax year 2007, which return contained and was verified by the written declaration of DANIEL BONVENTRE that it was made under penalties of perjury, and which return DANIEL BONVENTRE did not believe to be true and correct as to every material matter, in that DANIEL BONVENTRE, the defendant, falsely omitted wage and other income of approximately \$95,000, whereas, as DANIEL BONVENTRE then and there well knew and believed, he was not entitled to omit that income from his 2007 return.

(Title 26, United States Code, Section 7206(1).)

**COUNTS TEN THROUGH FOURTEEN**  
**(Tax Evasion - ANNETTE BONGIORNO)**

195. The allegations contained in paragraphs 1 through 171 and 177 through 178 above are hereby repeated, realleged and incorporated by reference as if fully set forth herein.

196. From on or about January 1 of each of the calendar years set forth below, through on or about the tax return filing dates set forth below for each calendar year, in the Southern District of New York and elsewhere, ANNETTE BONGIORNO, the defendant, unlawfully, wilfully, and knowingly, did attempt to evade and defeat a substantial part of the income tax due and owing by her to the United States of America for the calendar years 2004 through 2008 by various means, including, among other things, by (a) arranging to get paid a portion of her income

through monthly checks that ANNETTE BONGIORNO caused to be cashed in New York, New York, thereby causing Bernard L. Madoff Investment Securities to issue ANNETTE BONGIORNO tax reporting documents that falsely under-reported BONGIORNO's income, and (b) by preparing and causing to be prepared, by signing and causing to be signed, and by filing and causing to be filed with the Internal Revenue Service, a false and fraudulent United States Individual Income Tax Return, Form 1040, for the calendar years 2004 through 2008, wherein ANNETTE BONGIORNO failed to report certain income she received from Bernard L. Madoff Investment Securities, and thus falsely stated that her taxable income was in the amount set forth below, and that the amount of tax due and owing thereon was in the amount set forth below, whereas, as ANNETTE BONGIORNO, the defendant, then and there well knew and believed, the correct taxable income and correct tax due and owing for the calendar years 2004 through 2008 was substantially in excess of the amounts reported, as set forth below:

COUNT	TAX YEAR	APPROXIMATE FILING DATE OF RETURN	REPORTED TAXABLE INCOME	TAX PAID	CORRECTED TAXABLE INCOME	ADDITIONAL TAX DUE AND OWING
10	2004	4/15/2005	\$ 96,943	\$ 21,492	\$185,008	\$27,425
11	2005	4/15/2006	\$ 59,470	\$ 18,924	\$122,403	\$18,616
12	2006	4/15/2007	\$ 54,792	\$ 17,675	\$122,112	\$20,201
13	2007	4/15/2008	\$579,085	\$174,766	\$640,606	\$17,220
14	2008	10/15/2009	\$ 65,467	\$ 63,701	\$116,977	\$17,850

(Title 26, United States Code, Section 7201.)

**COUNTS FIFTEEN THROUGH SEVENTEEN**  
**(Tax Evasion - JOANN CRUPI)**

197. The allegations contained in paragraphs 1 through 171 and 177 through 178 above are hereby repeated, realleged and incorporated by reference as if fully set forth herein.

198. From on or about January 1 of each of the calendar years set forth below, through on or about the tax return filing dates set forth below for each calendar year, in the Southern District of New York and elsewhere, JOANN CRUPI, a/k/a "Jodi," the defendant, unlawfully, wilfully, and knowingly, did attempt to evade and defeat a substantial part of the income tax due and owing by her to the United States of America for the calendar years 2004, 2007, and 2008 by various means, including, among other things, by (a) using a corporate credit card to pay annually for tens of thousands of dollars of personal expenses and thereby causing Bernard L. Madoff Investment Securities to falsely and fraudulently characterize those expenses as business rather than payroll or wage expenses; (b) causing Bernard L. Madoff Investment Securities to issue JOANN CRUPI, a/k/a "Jodi," tax reporting documents that falsely under-reported CRUPI's income in the form of personal credit card payments; and (c) by preparing and causing to be prepared, by signing and causing to be signed, and by filing and causing to be filed with the Internal Revenue Service, false and fraudulent United States

Individual Income Tax Return, Form 1040, for the calendar years 2004, 2007, and 2008 wherein JOANN CRUPI, a/k/a "Jodi," failed to report certain income she received from Bernard L. Madoff Investment Securities, and thus falsely stated that her taxable income was in the amount set forth below, and that the amount of tax due and owing thereon was in the amount set forth below, whereas, as JOANN CRUPI, a/k/a "Jodi," the defendant, then and there well knew and believed, the correct taxable income and correct tax due and owing for the calendar years 2004, 2007, and 2008 was substantially in excess of the amounts reported, as set forth below:

COUNT	TAX YEAR	APPROXIMATE FILING DATE OF RETURN	REPORTED TAXABLE INCOME	TAX PAID	CORRECTED TAXABLE INCOME	ADDITIONAL TAX DUE AND OWING
15	2004	4/15/2005	\$ 104,418	\$ 26,422	\$170,290	\$13,341
16	2007	4/15/2006	\$ 0	\$ 0	\$34,700	\$7,955
17	2008	10/19/2009	\$2,534,045	\$938,230	\$2,589,665	\$19,467

(Title 26, United States Code, Section 7201.)

**FORFEITURE ALLEGATION**

199. As the result of committing one or both of the conspiracy and securities fraud offenses alleged in Counts One and Two of this Indictment, DANIEL BONVENTRE, ANNETTE BONGIORNO, JOANN CRUPI, a/k/a Jodi," JEROME O'HARA, and GEORGE PEREZ, the defendants, shall forfeit to the United States, pursuant to 18 U.S.C. § 981(a)(1)(c) and 28 U.S.C. § 2461, all property, real and personal, that constitutes or is derived from proceeds

traceable to the commission of the said offenses, including, but not limited to, a sum of money equal to at least \$154.5 billion, in that such sum in aggregate represents the amount of proceeds obtained as a result of the said offenses or is traceable to such property, and all right, title and interest of the defendants in any and all specific property that constitutes or is derived from proceeds traceable to the commission of the said offenses, including, but not limited to, the following:

- a. All right, title and interest of JEROME O'HARA, the defendant, in the real property and appurtenances located at 167 Legion Place, Malverne, New York, Known and designated on the Nassau County Tax Map as Section 35, Block 220, Lot: 27 to 30;
- b. All right, title and interest of DANIEL BONVENTRE, the defendant, in the real property and appurtenances commonly known as, and having a Post Office address of, 16 Edgewater Terrace, Mantoloking, New Jersey, 08738, located in the Township of Brick, Ocean County, New Jersey, and designated on the Township of Brick Tax Map as Block No. 42.02, Lot No. 16;
- c. All right, title and interest of DANIEL BONVENTRE, the defendant, in and to any and all shares of capital stock of 79th Street East Owners Inc. held in the names of Daniel R. Bonventre and Barbara G. Bonventre and in the proprietary lease between Daniel R. Bonventre and Barbara G. Bonventre and 79th Street East Owners Inc. for Apartment 17G in the building known as 505 East 79th Street, New York, New York, 10021, together with all contract rights, fixtures and appurtenances attached to, placed upon or used in any way in connection with such property; and
- d. All right, title and interest of DANIEL BONVENTRE, the defendant, in one 2008 BMW 335i Convertible, VIN WBAWL73538PX57654, bearing New York License



Plate CTC5585 and registered to Daniel R. Bonventre.

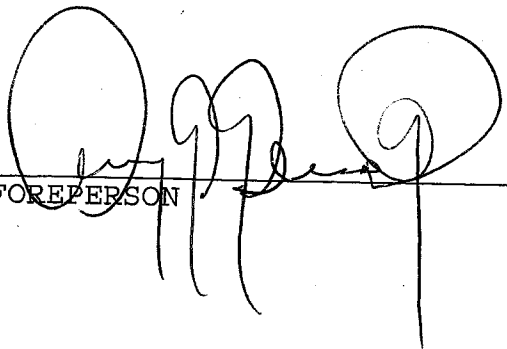
Substitute Asset Provision


200. If any of the above-described forfeitable property, as a result of any act or omission of the defendants:

- a. cannot be located upon the exercise of due diligence;
- b. has been transferred or sold to, or deposited with, a third person;
- c. has been placed beyond the jurisdiction of the Court;
- d. has been substantially diminished in value; or
- e. has been commingled with other property which cannot be subdivided without difficulty;

it is the intent of the United States, pursuant to Title 21, United States Code, Section 853(p), to seek forfeiture of any other property of the defendants up to the value of the forfeitable property described above.

(Title 18, United States Code, Section 981(a)(1)(C), and Title 28, United States Code, Section 2461.)

  
FOREPERSON

  
PREET BHARARA  
United States Attorney

Form No. USA-33s-274 (Ed. 9-25-58)

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**UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF NEW YORK**

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**UNITED STATES OF AMERICA**

- v -

**DANIEL BONVENTRE,  
ANNETTE BONGIORNO,  
JOANN CRUPI,  
a/k/a "Jodi,"  
JEROME O'HARA, and  
GEORGE PEREZ,**

**Defendants.**

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**INDICTMENT**

S2 10 Cr. 228 (LTS)

15 U.S.C. §§ 78j(b), 78q(a), 78ff, 80b-4, 80b-17;  
Title 17, Code of Federal Regulations,  
Sections 240.10b-5, 240.17a-3, 240.17a-5, 275.204-2; 26  
U.S.C., §§ 7201, 7206(l); 18 U.S.C. §§ 371 and 2.

**PREET BHARARA**  
United States Attorney.

  
Foreperson

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