

EXHIBIT 12

1 IN THE CIRCUIT COURT OF THE SEVENTEENTH JUDICIAL CIRCUIT
2 IN AND FOR BROWARD COUNTY, FLORIDA
3 CASE No.12-034123 (07)

4 P&S ASSOCIATES, GENERAL PARTNERSHIP,
5 a Florida limited partnership, et al.,
6 Plaintiffs,

7 -vs-

8 MICHAEL D. SULLIVAN, et al.,
9 Defendants.

10 DEPOSITION OF MICHAEL BIENES
11 VIDEOTAPED

12 VOLUME II
13 PAGES 85 - 215

14 Thursday, September 10, 2015
15 12:52 p.m. - 4:50 p.m.

16
17 Berger Singerman LLP
18 One Town Center Road
19 Suite 301
20 Boca Raton, Florida 33486

21
22 Reported By:
23 Gabrielle Cardarelli, FPR, RPR
24 Notary Public, State of Florida
25 Esquire Deposition Services
Job #22282

1 Bienes." Do you see that?

2 A First --

3 Q First page, right there?

4 A Yeah.

5 Q Okay. The payments on this page total
6 \$481,162.96. Do you see that?

7 A Yes.

8 Q Okay. And so there's a payment -- this
9 document indicates there's a payment on February 10th,
10 2003, in the amount of 15,000 to FPOM, Inc. What is
11 FPOM, Inc.?

12 A Florida Philharmonic Orchestra Musicians.

13 Q And is that a group in which you were actively
14 involved?

15 A Yes.

16 Q Okay. And what was the level of your
17 involvement?

18 A We created it and ran it.

19 Q Okay. All right. On 2/10/2003, the "we"
20 would be you and your wife?

21 A Yes. Yes.

22 Q Okay. On -- also, on February 10th, 2003, it
23 indicates a payment of \$42,500 to American Friends of
24 Covant Garden, Inc. And it has paren, Bienes, close
25 paren. What is American Friends of Covant -- Covent

1 Garden, Inc.?

2 A From my knowledge, it was an American-based
3 support group for the Royal Opera House in London.

4 Q And you were involved in that organization?

5 A No.

6 Q Okay. Was it an organization in which you --
7 which you made charitable contributions?

8 A I'm sorry. I don't remember.

9 Q Okay. Do you know if it's an organization
10 which Michael Sullivan was involved or made charitable
11 contributions?

12 A I would have no knowledge of that.

13 Q Okay. Let's go now to Arlington House, LLC.
14 On March 4th, 2004, there's a payment of \$51,836.62 to
15 56 Arlington House, LLC. Open paren, Michael Bienes,
16 close paren. What is Arling -- 56 Arlington House?

17 A Well, it's -- it's an LLC. It's a
18 corporation.

19 Q Do you care to tell me what it is? I didn't
20 ask what form it was.

21 MR. ETRA: Objection. Argumentative.

22 THE WITNESS: 56 Arlington House was our
23 address in London. It was a flat that we had.

24 BY MR. SAMUELS:

25 Q And were you a member of this LLC, 56

1 Arlington House?

2 A I would assume I am.

3 Q Okay. And were there any other members of 56
4 Arlington House?

5 A I would think my wife.

6 Q Okay. And 56 Arlington House is not a
7 charitable entity, right? It's an owner of real estate?

8 A Two parts. It is not a charitable entity. It
9 owns no real estate.

10 Q Okay. It lets -- what did you say, again?

11 A It is not a charity. It owns no real estate.

12 Q Right. But what did you say it did, again? I
13 thought you said it's an address in London.

14 A Yes.

15 Q Okay. What is its purpose?

16 A To pay the rent on that flat.

17 Q Okay. And did you -- have you and your wife
18 spent time at that flat?

19 A Yes.

20 Q Now, would you agree that these payments on
21 behalf of Avellino & Bienes -- and we'll just focus on
22 the ones to Bienes: To FPOM Inc., to 56 Arlington
23 House, LLC; and to American Friends of Covent Garden,
24 Inc., were made by S&P or P&S or Michael Sullivan or one
25 of his entities?

1 MR. ETRA: Objection.

2 MR. SAMUELS: -- at your -- as a referral fee
3 for you referring investors into Michael Sullivan
4 or one of his entities?

5 MR. ETRA: Objection. I thought you were
6 done.

7 THE WITNESS: No.

8 BY MR. SAMUELS:

9 Q Why were these payments made by S&P, P&S,
10 Michael Sullivan or one of his entities?

11 MR. ETRA: Objection.

12 THE WITNESS: I don't know his mind,
13 Mr. Sullivan. I don't know his mind.

14 BY MR. SAMUELS:

15 Q So your answer is you do not know why these
16 payments were made?

17 A I could guess.

18 Q And your guess is what?

19 A Well, you showed me a letter that accompanied
20 a check. It was to support Dianne and my charitable
21 interests.

22 Q Okay. And why would Michael Sullivan be
23 supporting Dianne and your charitable interests?

24 A That letter gives you a hint.

25 Q Well, I'm asking you.

1 BY MR. SAMUELS:

2 Q Told him what? You may have told him what?

3 A If he doesn't want to give to my charities
4 direct for whatever reason, but he still wants to give,
5 then let him make out the check to 56 Arlington. I'm
6 surmising now. I can't bring that conversation into my
7 mind's eye and ear. I don't have it like I did with the
8 conversation of Sullivan's son. That, I can do.

9 Q If he wanted to take the tax deduction by
10 paying commissions to you, and while at the same time
11 supporting your charities, couldn't he just have paid
12 you directly?

13 A You mean, to my own name?

14 Q Yeah.

15 A Oh, yes. Yes, he could have.

16 Q So why wouldn't he do that?

17 A Because I asked him, through Frank Avellino,
18 to do it through 56 Arlington.

19 Q And why would it be better for you to do it
20 through 56 Arlington, than just get the money --

21 A It was not better.

22 Q -- if you were going to be paying the money to
23 charity, anyway?

24 A It was not better, it was not worse -- worse,
25 it was just a simplification.

1 It's always us as GPs.

2 "We didn't create one of those partnerships --
3 you know, and the trick is who's a general partner? A
4 shell corporation is a general partner. Who owns the
5 shell? The boys. We never did that. There was no
6 corporation. We always stood behind it. That's how
7 much we believed in Bernie.

8 "So you were promising people how much?"

9 And you said, "All depends. Big amounts,
10 18 percent; smaller amounts, 17, 16, even as low as 15."

11 Do you see that?

12 A I'm on page --

13 Q Now, I'm over on page 24.

14 A Oh, okay. Wait a minute. Yeah, I see that.

15 Q So you recall promising people 18 percent;
16 smaller amounts, 17, 16, or even as low as 15?

17 A Uh-huh. Yeah.

18 Q Okay. And then on page 25, it says: "At the
19 time, were you the only people that you were aware of
20 that were feeding Bernie Madoff money?"

21 And you said, "Yes. Yes."

22 "In the '70s?

23 "Yes. Yes. We thought we were the only
24 ones." Do you see that?

25 A Yes, sir.

1 Highway.

2 MR. WOODFIELD: What page?

3 MR. SAMUELS: Page 2950.

4 BY MR. SAMUELS:

5 Q You say, "Yeah, I met them quickly because
6 Avellino said to me, 'we're being audited by the IRS.'
7 I knew this was going to follow the SEC thing. It
8 always does. And I said, 'okay. We'll handle it.'"

9 "He says: 'Michael, I'd like Sullivan and
10 Powell to handle it." They're too emotional -- "you're
11 too emotional."

12 "So I went up to their office and I met them,
13 and I saw the Bible and the crucifix and the lama ding
14 dong. And he says, 'You know, Frank really said it.'"

15 "I said: 'Look guys, I'm going to give you a
16 word of advice: Do it right. Do it right. Be precise.
17 If there's any question about who gets what, give it to
18 your client."

19 So at this point in time, after the SEC thing,
20 you were, in fact, aware that Sullivan was going to be
21 investing with Madoff, correct?

22 MR. ETRA: Objection to form.

23 THE WITNESS: I'm too confused. I don't
24 remember. I wasn't under oath and I was trying to
25 be cooperative.

1 BY MR. SAMUELS:

2 Q Well, when you're saying, "look guys, I'm
3 going to give you a word of advice: Do it right. Do it
4 right. Be precise," were you referring to his going to
5 do business with Madoff?

6 A I don't remember ever saying it to them.

7 Q Then you say, "Who introduced Sullivan, Powell
8 and Jacob to Bernie Madoff?"

9 And you say, "My partner must have. I
10 certainly didn't"; is that right?

11 A I said that.

12 Q And is that your understanding?

13 A Not now.

14 Q What is your understanding in terms of who
15 introduced Sullivan?

16 A You didn't need an introduction. You just had
17 to pick up the phone.

18 Q And where did you get that understanding from?

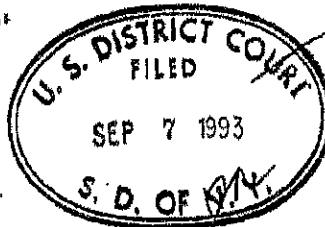
19 A From reading the list of 6,500 names that were
20 invested with Madoff, and all the banks and hedge funds
21 and everybody else. You didn't need an introduction.
22 Those people were not introduced, they called or wrote
23 or sent a carrier pidgeon.

24 Q And how do you know how those people -- you
25 don't know how those people got to Madoff, right?

Richard H. Walker
Edwin H. Nordlinger
Kathryn A. Ashbaugh
Keith W. Miller
Lynne E. Johnston

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SECURITIES AND EXCHANGE COMMISSION
7 World Trade Center, 12th Floor
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(212) 748-8155

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK



-----X
SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

-against-

AVELLINO & BIENES,
FRANK J. AVELLINO, and
MICHAEL S. BIENES,

Defendants.
-----X

92 Civ. 8314 (JES)

FINAL JUDGMENT OF
PERMANENT INJUNCTION
AND OTHER EQUITABLE
RELIEF BY CONSENT
AGAINST AVELLINO &
BIENES, FRANK J.
AVELLINO, AND MICHAEL
S. BIENES

93,2049

Plaintiff Securities and Exchange Commission (the
"Commission"), having filed a Complaint against defendants
Avellino & Bienes ("A&B"), Frank J. Avellino ("Avellino"), and
Michael S. Bienes ("Bienes") for preliminary and permanent
injunction and other equitable relief ("Complaint") on November
18, 1992, and the Court having entered an Order of Preliminary
Injunction And Other Equitable Relief on Consent, on November 17,
1992 ("Order"), and defendants A&B, Avellino, and Bienes, in the

EXHIBIT

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KCL
A. L.

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attached Consent incorporated herein, having entered a general appearance, having admitted the in personam jurisdiction of this Court over them and the jurisdiction of this Court over the subject matter of this action, having waived the entry of findings of fact and conclusions of law pursuant to Rule 52 of the Federal Rules of Civil Procedure, and, without admitting or denying the allegations of the Complaint, having consented, without trial, argument or adjudication of any issue of fact or law, to the entry of this Final Judgment of Permanent Injunction and Other Equitable Relief by Consent Against Avellino & Bienes, Frank J. Avellino, and Michael S. Bienes ("Final Judgment"), it is hereby:

I.

ORDERED, ADJUDGED AND DECREED that the attached Consents of defendants A&B, Avellino, and Bienes be and hereby are incorporated herein with the same force as if fully set forth herein.

II.

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that defendants A&B, Avellino, and Bienes, their partners, agents, servants, employees, and attorneys-in-fact, and those persons in active concert or participation with them who receive actual notice of this Final Judgment by personal service, facsimile, or otherwise, and each of them, be and hereby are permanently enjoined from,

directly or indirectly, singly or in concert, violating Section 5(a) of the Securities Act of 1933 ("Securities Act") [15 U.S.C. §§ 77e(a)], by making use of any means or instruments of transportation or communication in interstate commerce or of the mails to sell securities through the use or medium of any prospectus or otherwise; or, by carrying or causing to be carried through the mails and in interstate commerce, any securities, by any means or instruments of transportation, for the purpose of delivery after sale, without a registration statement being in effect as to those securities.

III.

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that defendants A&B, Avellino, and Bienes, their partners, agents, servants, employees, and attorneys-in-fact, and those persons in active concert or participation with them who receive actual notice of this Final Judgment by personal service, facsimile, or otherwise, and each of them, be and hereby are permanently enjoined from, directly or indirectly, singly or in concert, violating Section 5(c) of the Securities Act [15 U.S.C. §§ 77e(c)], by making use of any means or instruments of transportation or communication in interstate commerce or of the mails to offer to sell or offer to buy securities through the use or medium of any prospectus or otherwise, without a registration statement being filed as to such securities.

IV.

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that defendants A&B, Avellino, and Bienes, their partners, agents, servants, employees, and attorneys-in-fact, and those persons in active concert or participation with them who receive actual notice of this Final Judgment by personal service, facsimile, or otherwise, and each of them, be and hereby are permanently enjoined from, directly or indirectly, singly or in concert, violating, or aiding and abetting violations of Section 7 of the Investment Company Act of 1940 ("Investment Company Act") [15 U.S.C. § 80a-7], by, while acting as an investment company organized or otherwise created under the laws of the United States or of a state, or aiding and abetting any such investment company:

A. offering for sale, selling, or delivering after sale, by the use of the mails or any means or instrumentalities of interstate commerce, any security or any interest in a security, whether the issuer of such security is such investment company or another person; or offering for sale, selling, or delivering after sale any such security or interest, having reason to believe that such security or interest will be made the subject of a public offering by the use of the mails or any means or instrumentalities of interstate commerce; or

B. purchasing, redeeming, retiring, or otherwise

acquiring, or attempting to acquire, by use of the mails or any means or instrumentality of interstate commerce, any security or any interest in a security, whether the issuer of such security is such investment company or another person; or

C. engaging in any business in interstate commerce.

V.

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that defendants A&B, Avellino, and Bienes, shall each pay to the United States Treasury a civil penalty in the amount of \$250,000.00 for A&B, \$50,000.00 for Avellino, and \$50,000.00 for Bienes, pursuant to Section 20 of the Securities Act and Section 42 of the Investment Company Act [15 U.S.C. §77t and 80a-42]. These amounts shall be paid within ten (10) business days of the entry of this Final Judgment.

VI.

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that defendants A&B, Avellino, and Bienes, shall pay the civil penalties specified in Section V. above, to the United States Department of Treasury, by transmitting such payments in the form of a U.S. postal money order, a certified check, a bank cashier's check, or a bank money order made payable to the Comptroller, Securities and Exchange Commission. Such payments shall be mailed to:

Comptroller
Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, D.C. 20549

under cover of letter that identifies the defendant, the name and the case number of this litigation, and the name of the court. A copy of the cover letter shall be simultaneously transmitted to Keith W. Miller, Branch Chief, Securities and Exchange Commission, 7 World Trade Center, New York, New York 10048.

VII.

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that the Trustee, Lee S. Richards ("Trustee"), of the law firm Richards Spears Kibbe & Orbe, appointed pursuant to the Order, shall retain authority, custody and control over Chemical Bank Account No. 611120216, which contains the funds reserved to cover the checks distributed to noteholders. The Trustee shall direct that a stop order be placed on all checks issued to noteholders from this account that have not been redeemed as of the date of the entry of this Final Judgment. The Trustee shall issue replacement checks to these noteholders. The Trustee shall also pay to A&B from this account \$3,383.95, which constitutes monies that are separate from the funds reserved to cover the checks distributed to noteholders. This payment shall be made within 10 days of the entry of the Final Judgment. The Trustee shall use his best efforts to distribute all monies remaining in the account, after the payment to A&B of the \$3,383.95, to those noteholders who failed to present their original checks for

payment. At the conclusion of 90 days from the date the replacement checks are issued, any monies remaining in this account shall be transmitted to the United States Department of the Treasury, by transmitting such monies to:

Comptroller
Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, D.C. 20549

under cover of letter that states the name and the case number of this litigation, the name of the court, and specifies that this money is being sent pursuant to Section VII. of this Final Judgment. A copy of the cover letter shall be simultaneously transmitted to Keith W. Miller, Branch Chief, Securities and Exchange Commission, 7 World Trade Center, New York, New York 10048.

VIII.

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that the Trustee shall retain authority, custody and control over the proceeds resulting from the liquidation of four A&B noteholder accounts: Harry and Elaine Simon Account #1, Harry and Elaine Simon Account #2, Harry Simon Keogh Account, and the Jordan Sands Account. These funds are currently subject to an Order of Attachment issued in Dillon v. Simon, et al., New York Supreme Court, I.A.S. Part 3, Nassau County, May 8, 1992, as amended December 18, 1992 (Burke, J.), and a Temporary Restraining Order issued in National Westminster Bank USA v. Simon, et al., New York Supreme Court, I.A.S. Part 55, New York County, February 18, 1993 (Tom, J.).

The Trustee shall retain the power to distribute these monies, whether to the noteholders or to another person or entity, pursuant to an order of this Court, or an order entered in either Dillon v. Simon or National Westminster Bank USA v. Simon. Any monies that are not distributed within 60 days after final judgments have been entered in both Dillon v. Simon and National Westminster Bank v. Simon, shall be transmitted to the United States Department of the Treasury, by transmitting such monies to:

Comptroller
Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, D.C. 20549

under cover of letter that states the name and the case number of this litigation, the name of the Court, and specifies that this money is being sent pursuant to Section VIII. of this Final Judgment. A copy of the cover letter shall be simultaneously transmitted to Keith W. Miller, Branch Chief, Securities and Exchange Commission, 7 World Trade Center, New York, New York 10048.

IX.

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that the Trustee shall distribute \$4,156.16, presently held by the Trustee, to the noteholders who have submitted claims for interest earned from November 16, 1992 until the date the redemption check was sent by the Trustee to the noteholder. Such distribution shall be made within 10 days of the entry of this Final Judgment.

X.

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that this Final Judgment does not constitute a determination of any claim of any A&B noteholder against A&B, Avellino, or Bienes, including, but not limited to, claims for the redemption of any note issued by A&B which was not previously redeemed, and the payment of interest from November 16, 1992 until the date the redemption check was sent by the Trustee to the noteholder.

XI.

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that this Court shall retain jurisdiction of this matter for all purposes, including the implementation and enforcement of the Final Judgment.

XII.

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that the Clerk of the Court is hereby directed to enter this Final Judgment.

Complaint upon it, appears and admits the in personam jurisdiction of this Court over it and the jurisdiction of this Court over the subject matter of this action, and hereby consents to the entry of the annexed Final Judgment without further notice, and without admitting or denying the allegations contained in the Complaint of plaintiff Securities and Exchange Commission ("Commission").

2. Defendant A&B agrees that this Consent shall be incorporated by reference in and be made part of the Final Judgment to be entered against it.

3. Defendant A&B waives any right it may have to appeal the Final Judgment.

4. Defendant A&B enters into this Consent voluntarily and acknowledges that no tender, offer, promise or threat of any kind has been made by plaintiff Commission or any of its members, officers, agents or representatives in consideration of this Consent.

5. Defendant A&B further acknowledges that a violation of any of the terms or provisions of the Final Judgment may place it in contempt of this Court and subject it to civil and criminal sanctions.

6. Defendant A&B further acknowledges that it has been informed and understands that plaintiff Commission, at its sole and exclusive discretion, may refer or grant access to this matter, or any information or evidence gathered in connection therewith or derived therefrom, to any person or entity having

appropriate civil, administrative or criminal jurisdiction. ~~In~~ this connection, defendant A&B acknowledges that no representations regarding the above have been made so as to induce it to enter into this Consent.

7. Defendant A&B acknowledges that no promise or representation has been made by plaintiff Commission or its ~~staff~~ with regard to: (1) any criminal liability that may have arisen or that may arise from the facts underlying this action; or (2) immunity from such criminal liability.

8. Defendant A&B further acknowledges that it has ~~been~~ informed that plaintiff Commission has not waived, and does ~~not~~ waive, consistent with the principles of res judicata, collateral estoppel, and the doctrine of finality of judgments, its ~~rights~~ to commence, at its sole and exclusive option: (a) any civil action, civil or criminal contempt proceedings, or ~~administrative~~ proceedings against defendant A&B, its partners, agents, servants, employees and attorneys-in-fact as a result of this matter; or (b) any further proceedings or action against defendant A&B arising from or related to facts not alleged in the Complaint.

9. Defendant A&B waives any right it may have to assert that, under the Double Jeopardy Clause, the relief consented to in this civil action bars any criminal action, ~~or~~ that any criminal action bars the relief consented to in this action.

10. Defendant A&B agrees to pay a civil penalty in the amount of \$250,000.00, which amount is referred to in Section V. of the Final Judgment.

11. Defendant A&B agrees to accept service by regular mail of all process with respect to this matter, and any proceeding or actions in connection therewith or deriving therefrom, including process relating to any depositions, hearings, trials or other court or administrative proceedings or investigations, by service upon Ira Lee Sorkin, Squadron, Ellenoff, Plament, Sheinfeld & Sorkin, 551 Fifth Avenue, New York, New York 10176.

12. Defendant A&B further acknowledges that this Consent embodies the entire understanding of the parties.

13. Defendant A&B agrees that the Final Judgment may be presented by the Commission to the Court for signature and entry without further notice.

14. Defendant A&B consents that this Court shall retain jurisdiction of this action for the purpose of implementing and enforcing the terms and conditions of the Final Judgment for all purposes.

15. Defendant A&B acknowledges that Frank J. Avellino and Michael S. Bienes have the authority to bind A&B to the terms of this Consent. Defendant A&B agrees to be bound to this Consent upon the signatures of Frank J. Avellino and Michael S. Bienes. Frank J. Avellino and Michael S. Bienes, in both their

individual capacities and as partners of A&B agree to be and are hereby bound by the terms of this Consent.

Avellino & Bienes

By:

Frank J. Avellino
Frank J. Avellino
Partner

By:

Michael S. Bienes
Michael S. Bienes
Partner

State of Florida)
) ss.:
County of Broward)

Sworn to and subscribed before me this 4th day of June, 1993. Frank J. Avellino personally appeared before me, is personally known to me or produced Florida Driver's License #A145-260-36-225 as identification, and did take an oath.



Notary: Kathleen H. Pike
Print
Name: KATHLEEN H. PIKE
Notary Public, State of Florida
My commission expires: Sept. 6, 1996

State of Florida)
) ss.:
County of Broward)

Sworn to and subscribed before me this 4th day of June, 1993. Michael S. Bienes personally appeared before me, is personally known to me or produced Florida Driver's License #B520-557-36-266 as identification, and did take an oath.



Notary: Kathleen H. Pike
Print
Name: KATHLEEN H. PIKE
Notary Public, State of Florida
My commission expires: Sept. 6, 1996

RESOLVED, that

FRANK J. AVELLINO

MICHAEL S. BIENES

DIANNE K. BIENES

6

State of Florida)
) ss.:
County of Broward)

The foregoing instrument was acknowledged before me this 4th
day of Feb, 1993, by Michael S. Bienes who is personally known
to me or produced Florida Driver's License B520-557-36-266
as identification.



Notary: Kathleen H. Pike
Print
Name: KATHLEEN H. PIKE
Notary Public, State of Florida
My commission expires: Sept. 8, 1996

State of Florida)
) ss.:
County of Broward)

The foregoing instrument was acknowledged before me this 4th
day of Feb, 1993, by Dianne K. Bienes who is personally known to
me or produced Florida Driver's License B520-164-42-762 as
identification.



Notary: Kathleen H. Pike
Print
Name: KATHLEEN H. PIKE
Notary Public, State of Florida
My commission expires: Sept. 8, 1996

Attorneys for Plaintiff
SECURITIES AND EXCHANGE COMMISSION
7 World Trade Center, 12th Floor
New York, New York 10048
(212) 748-8155

SECURITIES AND EXCHANGE COMMISSION,
Plaintiff,

- against -

AVELLINO & BIENES,
FRANK J. AVELLINO, and
MICHAEL S. BIENES,

Defendants.

MADOFF_EXHIBITS-03590

Court over the subject matter of this action, and hereby consents to the entry of the annexed Final Judgment without further notice and without admitting or denying the allegations contained in the Complaint of plaintiff Securities and Exchange Commission ("Commission").

2. Defendant Avellino agrees that this Consent shall be incorporated by reference in, and be made part of, the Final Judgment to be entered against him.

3. Defendant Avellino waives any right he may have to appeal the Final Judgment.

4. Defendant Avellino enters into this Consent voluntarily and acknowledges that no tender, offer, promise or threat of any kind has been made by plaintiff Commission or any of its members, officers, agents or representatives in consideration of this Consent.

5. Defendant Avellino further acknowledges that a violation of any of the terms or provisions of the Final Judgment may place him in contempt of this Court and subject him to civil and criminal sanctions.

6. Defendant Avellino further acknowledges that he has been informed and understands that plaintiff Commission, at its sole and exclusive discretion, may refer or grant access to this matter, or any information or evidence gathered in connection therewith or derived therefrom, to any person or entity having appropriate civil, administrative or criminal jurisdiction. In this connection, defendant Avellino acknowledges that no

representations regarding the above have been made so as to induce him to enter into this Consent.

7. Defendant Avellino acknowledges that no promise or representation has been made by plaintiff Commission or its staff with regard to: (1) any criminal liability that may have arisen or that may arise from the facts underlying this action; or (2) immunity from such criminal liability.

8. Defendant Avellino further acknowledges that he has been informed that plaintiff Commission has not waived, and does not waive, consistent with the principles of res judicata, collateral estoppel, and the doctrine of finality of judgments, its rights to commence, at its sole and exclusive option: (a) any civil action, civil or criminal contempt proceedings, or administrative proceedings against defendant Avellino, his agents, servants, employees and attorneys-in-fact as a result of this matter; or (b) any further proceedings or action against defendant Avellino arising from or related to facts not alleged in the Complaint.

9. Defendant Avellino waives any right he may have to assert that, under the Double Jeopardy Clause, the relief consented to in this civil action bars any criminal action, or that any criminal action bars the relief consented to in this action.

10. Defendant Avellino agrees to pay a civil penalty in the amount of \$50,000.00, which amount is referred to in Section V. of the Final Judgment..

11. Defendant Avellino agrees to accept service by regular mail of all process with respect to this matter, and any proceeding or actions in connection therewith or deriving therefrom, including process relating to any depositions, hearings, trials or other court or administrative proceedings or investigations, by service upon Ira Lee Sorkin, Squadron, Ellenoff, Plesent, Sheinfeld & Sorkin, 551 Fifth Avenue, New York, New York 10176.

12. Defendant Avellino further acknowledges that this Consent embodies the entire understanding of the parties.

13. Defendant Avellino agrees that the Final Judgment may be presented by the Commission to the Court for signature and entry without further notice.

Frank J. Avellino

Sworn to and subscribed before me this 4/4 day of June 1993. Frank J. Avellino personally appeared before me, is personally known to me or produced Florida Driver's License #A145-260-36-225 as identification, and did take an oath.



Notary: Walter H. Pike
Print
Name: Kathleen H. Pike
Notary Public, State of Florida
My commission expires: Sept. 8, 1996

Court over the subject matter of this action, and hereby consents to the entry of the annexed Final Judgment without further notice and without admitting or denying the allegations contained in the Complaint of plaintiff Securities and Exchange Commission ("Commission").

2. Defendant Bienes agrees that this Consent shall be incorporated by reference in, and be made part of, the Final Judgment to be entered against him.

3. Defendant Bienes waives any right he may have to appeal the Final Judgment.

4. Defendant Bienes enters into this Consent voluntarily and acknowledges that no tender, offer, promise or threat of any kind has been made by plaintiff Commission or any of its members, officers, agents or representatives in consideration of this Consent.

5. Defendant Bienes further acknowledges that a violation of any of the terms or provisions of the Final Judgment may place him in contempt of this Court and subject him to civil and criminal sanctions.

6. Defendant Bienes further acknowledges that he has been informed and understands that plaintiff Commission, at its sole and exclusive discretion, may refer or grant access to this matter, or any information or evidence gathered in connection therewith or derived therefrom, to any person or entity having appropriate civil, administrative or criminal jurisdiction. In this connection, defendant Bienes acknowledges that no

representations regarding the above have been made so as to induce him to enter into this Consent.

7. Defendant Bienes acknowledges that no promise or representation has been made by plaintiff Commission or its staff with regard to: (1) any criminal liability that may have arisen or that may arise from the facts underlying this action; or (2) immunity from such criminal liability.

8. Defendant Bienes further acknowledges that he has been informed that plaintiff Commission has not waived, and does not waive, consistent with the principles of res judicata, collateral estoppel, and the doctrine of finality of judgments, its rights to commence, at its sole and exclusive option: (a) any civil action, civil or criminal contempt proceedings, or administrative proceedings against defendant Bienes, his agents, servants, employees and attorneys-in-fact as a result of this matter; or (b) any further proceedings or action against defendant Bienes arising from or related to facts not alleged in the Complaint.

9. Defendant Bienes waives any right he may have to assert that, under the Double Jeopardy Clause, the relief consented to in this civil action bars any criminal action, or that any criminal action bars the relief consented to in this action.

10. Defendant Bienes agrees to pay a civil penalty in the amount of \$50,000.00, which amount is referred to in Section V. of the Final Judgment..

11. Defendant Bienes agrees to accept service by regular mail of all process with respect to this matter, and any proceeding or actions in connection therewith or deriving therefrom, including process relating to any depositions, hearings, trials or other court or administrative proceedings or investigations, by service upon Ira Lee Sorkin, Squadron, Ellenoff, Plesent, Sheinfeld & Sorkin, 551 Fifth Avenue, New York, New York 10176.

12. Defendant Bienes further acknowledges that this Consent embodies the entire understanding of the parties.

13. Defendant Bienes agrees that the Final Judgment may be presented by the Commission to the Court for signature and entry without further notice.

Michael S. Bienes
Michael S. Bienes

 **KATHLEEN H. PIKE**
MY COMMISSION # GC 222780
EXPIRES: September 8, 1998
Bonded Thru Notary Public Underwriters

So closed

✓ DATED: NEW YORK, NEW YORK
SEPTEMBER 2 1993

By
Deputy Clerk

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HIGHLIGHTS

Meeting the
young Bernie
Madoff

"The tougher we
were, the more
money came in."

"Who am I to say,
'Bernie, show me
your books'?"

A visit from the
SEC in 1992

Does he feel
responsible for
his former
investors staying
with Madoff?

Why he took
Madoff at his

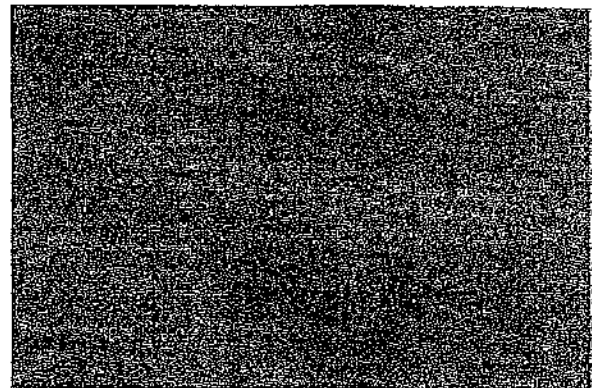
Let's go back to
the early days.
You grew up in
Brooklyn?

No. I grew up in
Long Beach, Long
Island, N.Y., a
bedroom
community 26
miles from New
York City.

And when you
were growing up,
what was your
ambition?

Well, my mother
always said,
"You've gotta
make a living, and

WATCH AN EXCERPT



Bienes, along with his partner
Frank Avellino, funneled
money to Madoff's investment
advisory business for
decades. By the time the
Securities and Exchange
Commission shut them down
for being unlicensed in 1992,
the men had more than 2,200
clients with \$441 million

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word

accountants always make a living." She drummed that into my head. I was born in the Depression, so my parents made me Depression-minded and kept after me. My mother was a full-charge bookkeeper. It's an expression they don't even use today. So I figured I'd become an accountant and go from there. I never really thought that much about it. We were lower middle class. I just wanted to get by.

invested with Madoff. After the SEC action, Bienes continued investing personally with Madoff. This is the edited transcript of an interview conducted on Feb. 6, 2009. [Click here](#) to watch extended video excerpts from this interview.

And becoming an accountant isn't a particularly ambitious profession. You're not going to get rich being an accountant.

Well, some accountants do. I didn't think I would, but I'd make a living.

And so then, tell me, you went to college, and you graduated?

I went to NYU, and I graduated in June 1958. And I went to work for a medium-size accounting firm, ... and I hated it. Then I went with another firm, and I didn't like that too much, either. Then I saw an ad they were finally hiring agents for the Internal Revenue Service.

I jumped. I applied, I went through the process, and they hired me as an Internal Revenue agent, field agent GS7. ... I did very well. I became a GS9, and I became a GS11. And then I became an agent instructor, and that got me a GS12. And then I became a very young group chief or group supervisor, they called it, GS13. I was on my way. ...

And when I went in to [my supervisor] to say I was leaving, ... I remember saying: "Charlie, you want the American flag behind your desk. I want the Cadillac in

front of my front door. I have to go." And I did.

And so what did you do next?

Well, an offer came through a third party that the tax partner of a small CPA firm called Alpern & Heller, which was located in midtown Manhattan. Sherman Heller, the tax partner, had died suddenly of a heart attack at the age of 46. And this man said to me, "It's a good spot for you, and it could very well lead to a partnership."

The word "partner," Martin, held a magic connotation for me. I was an only child, and I always felt that someone who could talk about their partner, I envied them. I wanted to have a partner, so I went for the interview.

And Alpern was a man of about 60. He was an old man and very cantankerous, but a young fellow was in the room. He asked him to sit, and he says, "I would like you to meet Frank Avellino."

I took one look at Frank, and believe it or not, I fell in love, as only one man could fall for another. I said, "This is the guy I want to be with." It was not a good deal. I gave up a lot of fringe benefits. I put in a lot more hours. But Frank and I bonded together; we bonded very quickly. We were partners before we were partners.

Alpern, in 1970, made Frank a partner. And I remember telling him, "Frank, I've got an offer, and I think I'm gonna leave." And he said: "Let's take a walk on Fifth Avenue. Come on." And we walked into, like, a

**"Bernie was
forever.
Bernie was
the Rock of
Gibraltar. ...
We were
talking
about the
future as if
we were
talking
about God."**

stereofront. He says: "Look, I'm gonna tell you something. If you leave, you'll call me, I'll call you, but we'll lose each other. Stay. It'll work out, I promise you. Don't leave. We'll be together."

And sure enough, the following year I became a junior partner, 25 percent, and the year after that, a third. And two years after that, Saul Alpern reached 65, and he retired to Florida, and so a name change -- Alpern & Heller became Avellino & Bienes, or, as we liked to refer to ourselves, Apples & Bananas, A&B.

And what kind of work were you doing at time?

We had a small accounting firm. We had medium-size, small clients, individual clients. A lot of them were oddballs, I gotta tell ya. But then again, as Saul Alpern always said: "The normal person does not go into business for himself. He goes and gets a job." ...

I handled their tax work, mostly, but I did accounting, too, which I was not very good at.

One of the first things Saul Alpern said to me when I went to work for him was: "Listen, yeah, listen, you got money, you can invest it with my son-in-law Bernie. You'll get 20 percent." Well, I didn't have any money, and I wasn't even thinking 20 percent -- I didn't even know. But then, a few short years later, my wife had saved up \$5,000, and she says, "I want to open an account with Bernie." And he let her do it. And she started with \$5,000.

What made you think that he could return 20 percent?

Because Saul said so. And he was doing it for the cronies, for the clients, Saul's clients, Saul's friends, Saul's family. He was doing it.

How was he doing that?

I don't know. How do I know? How do you split an atom? I

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know that you can split them; I don't know how you do it. How does an airplane fly? I don't ask.

Did you ask him?

Never. Why would I ask him? I wouldn't understand it if he explained it. Something with arbitrage between bonds and stocks and blah, blah, blah, blah, blah.

But when I went downtown for the first time to deliver some papers to Bernie, ... he walked in, Bernie, and it was like you were subsumed by him. He had an aura about him. Not charisma, an aura about him -- a confidence the way he was set up, the way he looked, the way he spoke. The self-confidence -- he just evoked confidence in you, that he knew that he was in control, and if he was around, everything was fine. And then when he moved to his new office building, I used to go down there, One Wall Street. He had a whole floor. Wow. Wow. Wow.

How old was he at that time?

I was 32 when we met. He was 30. I never was quite sure -- knew he was a little bit younger than me. He wore the best shirts and always French cuffs. Beautiful. He just had a body that was right, that was set up perfectly. He had the body of an actor. You know what I mean -- that he set himself up right. He looked right.

And his father-in-law believed in him?

Oh, God, yeah. In fact, there's a story, because he always told Bernie stories. Bernie and Ruth met when they were in high school in Laurelton, [Queens], OK? They were childhood sweethearts, and I think they still are now. I believe that. I knew it.

Bernie decided that he would pick up Ruth at the house to go to school, and she said, "Well, if you're gonna pick me up, you come in for breakfast." So as Saul came down

the stairs, he looks down and he sees this kid sitting at his breakfast table. After a day or two, he said to his wife: "Get him out. I want him out of here. He can wait outside on the steps. He's not sitting at my breakfast table."

So I said to him one day, "Saul, Saul, what would have happened if he had gotten mad and --" He says, "Don't even think about it." I said, "If he came for break--" He says, "I'll make the eggs for him just the way he wants 'em."

Because why?

Because he was so successful.

So he's successful from a very young age?

Well, my partner, Frank, told me -- because Frank started with the firm in 1958. He went directly from college to Alpern & Heller, and he was a fixture there. He was the key employee. He said he remembered Bernie coming in in '59 and '60 and using part of a desk in their offices on 42nd Street and working a phone line he had put in.

Very young at that time?

Very young. He had to have been -- it was '58, and I met him in '68. He had to have been 20, yeah, 20, 21. I didn't know him then. I was not even with the IRS at that time. Crazy Sherman Heller, the tax partner, said to Saul: "Get him out of here. He's crazy. He makes too much noise." He said: "What a jerk Sherman was. He could have gotten involved with this guy. He could have been part of the action." So he threw him out, and Bernie went downtown to some office.

But when I really got to know him, he had a whole floor at One Wall Street, and a trading room, and it was all beautiful and set up nice. And he had a private office.

And he had a big conference room and great views. He was Bernie. He was the guy. Bernie was the guy. When he walked into a room, he was the guy. And I was in awe of him.

I handled a couple of tax orders for him. We, at that time, had some accounts with him. I said, "I'm gonna really hit you up for a good fee for the results I got." I smiled. I always try to hold my own, but I really couldn't. He says: "That's OK. I'll just give you a lower return." I said: "I'm only kidding. I'm only kidding." It's like he could control the return. But it made sense, because he was and is today a market maker. ...

How did Frank Avellino hook up with Alpern & Heller?

He went on a interview, he said, after he got out of City College.

So he wasn't friends with the family? Didn't know Bernie from before?

No. Frank came from the Bronx.

What did you like so much about Frank?

(Sighs.) I liked Frank. I liked the way he spoke. I liked the way he looked. He was a very competent accountant and a very hardworking guy and a very straight shooter. And we had a sense of humor that used to complement each other. You know, when you're intimate with someone, you talk wacky talk a little bit. "Lou the Henig" -- he always put first name and "the Henig" or names like that. We'd talk about the crazy clients, because many of them were nuts, you know, and the things that we did. I just liked being with him.

I liked Italians. And we used to go for walks, and we used to eat at Chock full o' Nuts, sitting and plotting our life together and planning, sitting side by side and getting a cheese sandwich on datenut bread. And I just liked

hanging with him. We had our own lives -- yes, we did -- and we lived in different areas, and we went through marital problems at the same time. But we always hung together, and he was always there for me. He was the brother I didn't have. ...

... When do you get into investing other people's money with Bernie Madoff?

Saul, his father-in-law, had been doing it since the late '60s, I think, if not before. He had, like, a green book. It's very plastic, loose-leaf book. He had these blank sheets printed up, and Nanette, the secretary, would type them in, and he would do the pencil work. You got a transaction, and then the next transaction, you got the check from the previous transaction. And he showed you your new transaction -- buy, sell, profit and check -- from [the] previous transaction.

Let me be clear. This is Saul Alpern --

Yeah, his father-in-law.

-- was taking money --

From his clients, family, friends. He had it when he left --

And giving it to his son-in-law?

Yeah, of course. Direct.

And the guy had a hot hand?

You see, what Bernie said -- he took a few straight accounts from Saul's people in the beginning, and then he said to his father-in-law: "No, I cannot handle small accounts like this. This is a pain in the neck and a pain in the butt." So Saul, being smart, said: "Look, open up an account called A&A, and I will do the record keeping. I will handle the checks. I'll do it all."

Alpern & Avelline?

Yeah. He gave Frank a piece, and I got a piece when I became partner. It became like a client of the firm. It was only about \$2 million, \$2.5 million in the account. That was big money to me. And we made a little bit off the top, or backs -- a business in millions, a profit in pennies. It's true.

So he would do this, and then when he retired, he says: "I'm taking the green book down to Florida. It'll give me work to do. And I'll mail the stuff up to Nanette, and she'll type it with the checks and send it out."

Annette?

Nanette. She was our secretary.

And when did this happen?

He left in '74.

And by that time it becomes Avelline & Bienes?

Yes.

What's your major business at the time, in '70?

Still accounting.

Still accounting.

We were accountants. Oh, yeah.

So how much of your business at that time was investing money with Bernie?

Oh, maybe 10 percent at most. I can't even remember.

But then it grows over the years?

Well, I'll tell you how. My partner said: "If we do this on our own and we open an account on our own, it's gonna be insane. We can't do this." There's no computers in those days.

"I have an idea," said Frank Avellino. "Four words: Let's pay them interest. It's simple. You give them a stated rate. You pay it to them calendar quarterly. They can roll it over if they want, or they can take a check if they want. And they can change from one to the other if they want. And if they take money back or part of their money back, they get their interest to the day they take it back."

They could change from one to the other? What do you mean?

Oh, yeah. You say, "I want my check every quarter." Then you say, "I don't want my check; add it to the compound," like a bankbook used to do. You compound it.

So it could be reinvested, or you could take dividends.

Yeah. Automatically.

Or you could take regular quarterly payments?

Exactly.

But the idea was to make it simple, to give it a fixed rate?

Yes. People could see it, could understand it, and we could account for it so easily.

But it put you at risk.

Oh, yes. Oh, yes, it did. We knew that. And we always said there's not a corporation in the carload; it's always us as GPs. We didn't create one of these partnerships -- you know, and the trick is, who's the general partner? A

shell corporation is the general partner. Who owns the shell? The boys. We never did that. There was no corporation. We always stood behind it. That's how much we believed in Bernie.

So you were promising people how much?

All depends. Big amounts -- 18 percent. Smaller amounts -- 17, 16, even as low as 15.

So what's a big amount?

In these days? A couple of hundred thousand.

So if [I] could turn over to you a couple hundred thousand, I could get 18 percent?

If you were someone that we knew and liked, yeah. Otherwise we would give you 17.

And how much was Bernie -- where was your cut of that?

He was earning for us on top of that. He was returning about 20 to 21. I think -- it's hazy -- but it was a couple of points. It was no big deal. I don't want people to think, oh, we made 10 -- you can't do that. We knew that would be wrong.

I'll tell you what: As we grew, we had one checking account at Chemical Bank, and money would come in every day. Checks would come in by word of mouth -- and we never advertised, we never promoted, we never sent out a Christmas card -- and the money came in, and you'd batch it, because Bernie didn't want it. He wanted you to send down a substantial amount.

So by the end of the week, you'd have \$100,000 or \$75,000 or \$150,000 and the money in the account. And then at the end of the quarter, you'd draw down a check from Bernie, which always came right on the line, and you deposited it. And that's where you'd send out

your interest checks.

And I remember the banker saying: "You guys are fools. You should earn interest on this account on overnight swaps." And my partner and I looked at each other and said: "No, it's not our money. It's other people's money. And if it's gonna earn interest, we're gonna have to allocate it out to them. And we're gonna have a big headache. So never give us one penny of interest."

At the time, were you the only people that you were aware of that were feeding Bernie Madoff money?

Yes. Yes.

This is the 1970s?

Yes. Yes. We thought we were the only ones, that we were the elect, that we were Saul's partners. We thought that maybe he had some accounts with his friends and family. We were not gonna say we're totally naive, but as far as a group, we thought we were it.

And how were you bringing in new money?

We didn't. Word of mouth. We never would even take a phone call. Would you believe it, how the money rolled in? I wouldn't even take a phone call. Someone would call up, and I would say, or the girls were trained to say, "Who told you to call?" "Well, I don't want to say." And they would say, "Thank you for the call," and hang up. That was their rule; that was their instruction.

You had to give a name. "My name is Danny Jones." "Mr. Jones." "I want to know about this thing here." "Well, we don't explain it, sir. How did you hear of us?" "Martin Davis told me." "Oh, well, all right. Now, what did Mr. Davis tell you?" "Well, you could get eight --" "All right then. Whatever Mr. Davis said is so." "You have brochures?" "No." "Do you have any paperwork?" "No." "Well, what do I get?" "We give you a receipt for your

money."

That was the --

Yeah, that's all you get.

An A&B note?

Yeah. Yeah, a note. "We received from you \$10,000, which will pay interest per annum calendar quarterly at 16 percent." That's all we gave. We were very tough. And the tougher we were, the more money came in.

What do mean, you were very tough?

I told you. If you didn't tell us who told you about us --

Why did you need to know? I mean, it's money.

... No, no, no. It's not money; it's people. I don't want bad people. I don't want people we don't know. I don't want people who shouldn't be giving us money. Once in a while I had a lunatic or two say, "Do you take cash?" I said: "No, but I know who does. You take it, put it in your pocket, and get out of here and never come again. Oh, no," I said. I said: "No. You're done, finished, never." "Can I get a check, and you don't send a 1099?" I said: "Yes. Here's your check for your money. Get out of here. You're gone. You're finished. We send our 1099s to the penny, and if you don't give us a correct Social Security or we find out at the end we're getting a kickback from the IRS on the number you supposedly gave us, you're gone."

So you had pretty nice interest payments to hand out every --

Oh, yeah, every quarter.

I mean, those are good rates.

Good rates.

Were you ever approached by people you thought -- well, you implied that you got people that were a little shady coming in with a lot of cash.

Yeah. Turned them away. Wouldn't have 'em. We wanted to know where you came from. How did you find out about us? And if you couldn't give us a crisp, clear -- and then the girls were trained: "I'll get back to you, Mr. Jones. Mr. Smith, I'm very sorry to bother you, but a Mr. Jones called and said --" "Oh, yeah. He's a good friend of mine from college. He's OK."

And if you said, "I never --," that's it; that guy never got a call back. We were very careful. And we did our taxes perfectly. We reported every transaction. We sent out every 1099. We wouldn't do anything that was off-base. We wouldn't take interest on a bank account. We just wouldn't do it. We had a wonderful machine, and we wanted to keep it clean.

And the money's coming in. By the end of the '70s, it's more than 10 percent of your business by then, right?

By the end of the '70s, it's like a third to 40 percent, I would think. But you know, it's too many years ago. I can't, I just can't remember --

But it grows?

It grows. Then I remember in 1982 -- and we're working along, two things happened. We were sued by some banks because of a client. Of course, we were insured, and the insurance company defended us, and we won. We won. And then they appealed, and we won again. And they went back to court, and we won. And we won -- I threw out the letter a few years ago. We won. We beat them because we didn't do anything wrong.

What were they suing you for?

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Oh, because the client went bankrupt. So who does the bank sue but the accountant?

So it wasn't to do with the Bernie Madoff investments?

Oh, God, nothing, nothing. Just strictly accounting, just strictly accounting. You know we made some bankruptcy law? Because these lawyers wanted to sue the client who went bankrupt, so they went to the bankruptcy judge who turned them down.

I've read about this case.

Avellino & Bienes v. Frenville. ... One of the three judges was a retired Supreme Court justice, Potter Stewart, and I was so proud. But you know what happened, Martin? The insurance company said, "We won't write you again." I said: "You won't write us? Why?" "Because you were sued."

I said, "But we won." "But you were sued." "But we won." "But you were sued. We will not write you." So we can't drive a car without insurance, and you can't operate an accounting firm.

So my partner and I looked at each other and said: "Look, come on. If we get rid of the overhead, the employees -- let them take the clients that they want for free, don't try to sell anything, cut down to a smaller office -- we'll live on the Madoff [money], and not have to be on the calendar." And that's what we did. And it grew and grew, and by the late '80s, it was like Topsy: it was just growing.

So it was all Madoff starting early in the '80s?

'83. All Madoff, because they forced us out of the accounting business -- not that I cared. Don't cry for me. I hated it. I hated it. In fact, we were keeping it running just for the employees.

So is this easy money, would you say, that you're making with Madoff?

Easy, easy-peasy, like a money machine. I always said I never lifted any heavy weights. People have said to me, even recently, "Oh, you must have worked very hard." I said, "No, I didn't." "Oh, come on." I said, "No, I didn't." I never worked hard, except when I was working as an accountant when I was young, yeah. But I never worked hard.

All we had to do was be precise. We were like an airplane. An airplane, you know, flies itself, but it's very unforgiving of any errors. But it flies itself; it's easy. Women, men fly a plane, just a little thing on the choke, you know? But if you make a mistake in your calculations, eh, boy, you do a John Denver. You run out of fuel, or something happens.

So we had to be very precise to make sure what we were doing. And we always said if there was a shortfall, we would make it up.

You always said that if there was a shortfall you would make it up?

Yeah, yeah. We knew we had to.

When did that happen?

There wasn't any shortfall.

It never happened?

No. Never.

There was one comment in a recent New York Times article about all this -- and I don't know where this statement came from; I think it came from the '92 investigation, which we'll talk about a little later -- that there were times when you had to reach into the pockets

of the firm, Avellino & Bienes, to make good on what you were promising.

No. That's not so.

No?

The money was always there.

It was always there?

Always there.

And so did you ever think to yourself, "This just is too easy. This is too good"?

(Sighs.) I said: "I'm a little too lucky. Why am I so fortunate?" And then I came up with the answer -- my wife and I came up with the answer: God wanted us to have this and to be a conduit for good causes, and that's why we began giving to charity in the amounts that we did. ...

The Lord blessed us; we have to give it back. We must give it back. The family, yes, of course and to help friends, but to do good causes in medicine and in the arts and in education -- we had to. We were driven to. God gave us this. ...

You talked a little bit about Bernie in the early, early days. But by the '70s, into the '80s, you had a lot of contact with Bernie. You got to know him?

Had to have a lot of contact. We were running -- in our estimation -- a big business with him. We had to know what was going on. ...

So you knew Bernie very well?

I don't think anyone could know Bernie very well. We knew him. My partner dealt with him more than I did --

my former partner. I have to correct myself. We're not partners anymore and haven't been since '93, when this whole thing ended.

But you're talking about Mr. Avellino?

Yeah. I always refer to him as "my partner." I could just as easily say "my brother"; that's the feeling. But we're not technically partners anymore.

What was the nature of your contacts with Bernie?

Meetings at his office. He never came to ours. The only socializing we ever did with him was he invited us to one of his son's bar mitzvahs because his father-in-law was there and we were still in practice with him, so he had to invite us.

And I was very impressed, because it was not one of these over-the-top events. It was during lunch, and it was a buffet. And I respected that, that Bernie lived a moderate lifestyle. Bernie didn't drink. Bernie didn't drink. I would swear on my life that he never took drugs.

He liked doing things with family. And family was all to him. Even when ... they had parties at his house in Roslyn, [N.Y.], as people were leaving, he'd have the vacuum out; he'd be vacuuming up.

I was never invited to anything like that. We did not socialize. In fact, I could tell you, all the times we went up into his office, he never once offered us even a glass of water, much less a cup of coffee. That was just his way. And my opinion was, who cared?

Was he all business?

All business. "Hello. How are you doin'? I'm doin' and doin' --" But all business.

So you would ask him, "Look, can you return 18, 20 percent next year?"

Yes, things like that. How much new money can you take? Because he was always saying, "You know, I can't take too much more," always keeping us on tenterhooks. "Well, Bernie, how much?"

You know, "Are your people happy?" He was always asking, "Are your people happy?" I said, "Bernie, why shouldn't they be happy?" "Well, you're keeping 'em happy?" I said, "You're keeping 'em happy." "We're doing the right thing, paperwork-wise." "Make sure they're happy. Are you sure your people are happy?" I said: "Well, I would assume if they weren't, they would take their money back, wouldn't they? Or we would be getting calls of complaint, which we don't." ...

How did you check up on Bernie to make sure that everything was OK on his end?

We did not.

Why not?

I was gonna walk in and say, "Bernie, let me see your books"? He'd show me the door. He was my income. He was my life. How could I do such a thing? First of all, Saul once said, "He is in the most heavily regulated industry in America." And I knew that the SEC [Securities and Exchange Commission] investigates brokerage houses, and I knew that Nasdaq did.

So who am I? Who am I to say, "Bernie, show me your books"? And if he did, what would I know? What would I see? How could I judge? How could I figure it out? I had no way. It's like, "Explain the theory of relativity to me." And after you did, I'd sit there, looking.

But did you think ever, or does it dawn on you now that you had a responsibility to the people that were handing

money to you to give to Bernie; that you had a responsibility to know what was happening with that money, to know how that money was earning interest?

Well, we knew, because we got transactions. We saw the stocks being bought and sold. We saw the profits and the spreads. That, we saw. This was a brokerage account as to unto us. Every trade had to have a transaction, yes, and we had to analyze in our worksheets.

So from day to day, and week to week, and month to month, we would see the buys and the sells, and the profits, and a few losses, and how it was coming. So we were not flying blind, because to be more exact, we had it pinpointed every day, when the transactions came in. Oh, my heavens, of course.

And at the end of a month, those transactions were on a monthly statement, and you just analyzed that out, and you tied it in. You balanced it out. This was regular accounting work; you reconciled the accounts. So that, we did. Oh my, no. You just didn't put money in and take money back and send money out. That's insanity. No.

Also, for tax purposes, we had to account. We couldn't just say, "Oh, we took in this much percent." No, it doesn't work. The IRS demands a lot more than that.

So you had to prepare Schedule D's?

Of course. And we did it on a daily basis, as the transactions came in.

Did you check to see that those transactions were taking place within the trading range of the stock on the day that those stocks were ostensibly sold?

No. No.

Why not?

Because that's a big job to do. You know, we could see,

once in a while, that, "Yeah, this is what the GM [price] is about now," because you see it in the paper. Nothing ever jumped out at me. You know, was there a stock that he was showing a selling price of \$180 that was selling for \$30? No. No, no, definitely not. Everything was in a parameter. And the gains were small, never big.

But steady.

But steady. As Bernie once said to me: "If any of my traders hit a home run, I have 'em on the carpet. I don't want any home run hitters here. I don't even want a triple. Once in a while, they hit a double, OK. We go for the single. In, out; in, out; in, out. We're traders. We are market makers." We get orders so he's able to follow the line. It made so much sense; he was a market maker.

At one time he handled 200 companies on the Nasdaq. "Then," he told me, "they demanded I handle everything that's being traded on the Nasdaq." So this made so much sense. He was a market maker. I said to myself: "The auctioneer does not lose money. Christie's, Sotheby's does not lose. They're in between."

And then I found out from people that he invented order flow; he would pay for the orders to come in. And he'd pay a penny, or in certain cases 2 pennies a share, for the order. "Trade through me." And since he would make even an eighth, that's 12 1/2 cents. So if you're making 12 1/2 cents and you're paying out 2 cents, you're making 10 1/2 cents.

And that's small money. But if you've got big volume, it's like the breakage at a racetrack. It's pennies, but added up at the end of the year hundreds of millions of dollars. So yes, in that respect, we were always monitoring him.

And you were making a lot of money then with your partner, Frank, at this point?

My former partner, yes. When you say "a lot," that's a generic term.

Well, you're starting to give away more and more money in the '80s.

We're doing better, yes. I don't remember, though. I really can't bring it into focus of what we were doing then. I know I was very comfortable.

And you know something else? It was there. The money was there. And remember, we were only taking a small clip off the top. It's all it was. Couldn't take more. We thought that was the rule.

And we never were pigs. That's one thing that kept us going: We were never pigs. We were never pigs. One day some clown said to me: "I know you're really only sending out about half the interest you owe, because people rolled it over. You could take half the capital and send it overseas." I said: "No. You know what? I have a better idea: I put you in a box, and I send you overseas. Don't ever say that to me again, not even as a joke. There's no joking in this."

So you weren't skimming and putting it in a Swiss bank account?

Oh, my God, never.

That's what you're saying?

Never. I wouldn't let interest be earned on the account, which we could have made a lot of interest for ourself, because it wasn't our money. It was GPM -- other people's money. I wouldn't do that. ...

So you were very careful?

Very careful. And very honorable.

But yet, you got in trouble.

Yes.

What happened?

All right. I think in May of '92 my partner said: "I gotta tell you something. We got a call from the SEC, and they're asking questions about some guy out in California who was funneling money through this guy we know, and he was printing up brochures with our name on it." I said: "Oh, my God, no. What is he, insane? He knows the rule. Anyone who deals with us knows the rules. What happened?" "Well, they're coming over to see us."

And they came over, the SEC, and they talked, and they looked, and they looked, and they talked. And they came back a few weeks later, and then a few weeks later; then a few weeks later. And I was told they went down to see Madoff once or twice, to his office. I was told; I wasn't there.

And we said to Bernie: "We gotta do something. This is not going to be good. We just can't sit here." And he says: "Yeah, you're right. Let me recommend an attorney, Ira Sorkin, who used to be with the SEC. He's with a firm called Squadron, Ellenoff." That's all we had to hear, because we knew the firm. It was a fine firm. ...

So Bernie tells you to hire Ira Sorkin.

Yeah.

He's the former head of the SEC enforcement in New York.

And we liked him. So he passed us on to someone in the firm to make ourselves legal.

But what did you understand was the problem?

We weren't licensed.

But you were very careful, though?

Yeah.

But why were you operating an unlicensed investment adviser service?

Because first, we didn't know we had to be. It was growing like Topsy, and to what? We were just a couple of accountants with a fund. We had a group together, and we were doing the accounting and bookkeeping and record keeping and tax 1099s for the group. We didn't consider ourselves brokers or dealers. We didn't know. We were naive, yes. Whether you believe it or not, we were unsophisticated and naive.

But you had a half a billion dollars, almost, under management.

Toward the end, yes.

Well, in '92.

Yeah.

And so you get this call from the SEC because somebody ... was printing up brochures out in San Francisco, ... and that alerted the SEC?

Somebody passed it into them and said, "What the hell is going on here?" So when they came in, they said, "Are you licensed?" And, "No." "Oh." So they're looking.

So when we went with Sorkin's firm, we were working with them to get ourselves licensed. There was two or three routes to go to get licensing, and they were showing us on the blackboard which way to go. One way, you had to have a trustee; another way, ba bup. And we were working and paying them fees to get wholesome. All of a sudden, in November, the SEC said: "Game over. We're closing you down. Sign the consent decree, or we'll run into court." And Sorkin said: "You want some advice? Sign the consent decree. Close it down."

Now, there were two reasons, weren't there, that you were shut down? One was that the two of you were unlicensed investment advisers, and that secondly, you were dealing in unregistered securities, these A&B notes, as they were called.

Well, we didn't realize we were dealing in the notes. We thought we were dealing with Madoff. We didn't realize that these notes were securities. This had to be explained to us. "Don't you understand," they said, "that these notes, these pieces of paper, they're securities?" I said: "No. Stocks are securities. Preferred bonds are securities. These are not sec--" "Oh, yes. They are."

And nobody had raised this issue in the previous years? Bernie had not raised it?

Bernie?

I mean, people are going to listen to this and say, "How could Avellino and Bienes not know?"

Bernie? Raise the issue? No.

How about yourselves? You're accountants. You know the law. You used to work with the IRS.

Yes. Yes, we had doubts, and we passed them on to Bernie in meetings. And he said: "Listen to me, OK? I know the biggest lawyers on Wall Street, and I've told them about this, and they say it's OK. You're just guys who work for my father-in-law. You're a client of my firm. That's all you are."

So you did have doubts? You wondered if you should be licensed with the SEC?

I like to be licensed. I was a licensed CPA.

So why didn't you just get yourself licenses?

Because you just can't do that, because Bernie didn't want us to.

So Bernie is calling the shots here?

Oh, of course he is. Always was. We were always captive to him. He owned us.

And he gets you Ira Sorkin?

Yeah.

And then, when Ira Sorkin comes on in the summer, it takes quite a while, until November, before anything gets done.

Yeah. They kept visiting us, checking us. I think in the fall they said, "Don't take any new money." We didn't. And we were working with Ira's firm to get registered.

So the SEC comes in, shuts you guys down on two counts?

Yeah.

And you had raised some of these issues with Bernie beforehand, but he said, "Don't do anything." Why did you listen to him?

Why? He was the money. What we were doing was only because he was doing it.

But you guys got slapped. You guys got run out of town.

Yes.

And why didn't Bernie get in trouble?

I never asked. All I was concerned about then was ourselves. We just wanted to extricate ourselves. And

we were in a panic. We were so frightened; we were so scared. I will say this about the SEC, though. Three words: tough but fair. And we just wanted to get out of it. Get the money back; close it down; sublet the office. And I wanted to run away and hide in a cave. I didn't worry about Bernie or Ernie or Sid the Kid. I was not interested. I just didn't want my name in the paper again. One day, once, and that was enough for me. ...

Did you ever think it was odd that Bernie Madoff gets you an attorney, that Bernie Madoff has been coaching you in previous months or years not to worry about the fact that you were dealing in unregistered securities, and that you go through all these hearings, and all the paperwork is all about you and Frank, but nothing about Bernie? And Bernie gets off scot-free, continues doing what he's doing? That seem odd to you?

No. I wasn't even following it. I didn't care. I didn't even think about it.

But it doesn't look to you like his attorney might have protected him a little more than you?

The thought never entered my mind. We voluntarily gave them up, all of our assets. And all I wanted to do was to get these assets relieved. I wasn't thinking of anything else but myself and my wife. I was totally focused on getting out of it, paying the money back to the last pea.

Now, you had these [other accountants, Edward] Glantz [and Steven] Mendelow, involved in this other sort of feeder fund that's feeding money [to Avelline & Bienes]. How did that work? How did Telfran work?

Telfran was formed by Glantz & Levey, the accounting firm. We always shared office space with them when we were practicing accounting. When I first met Alpern, the two firms were in a suite at 10 East 40th Street. Then we went over to, I think it was the Young &

Rublean building. Again, we shared a suite. Then we moved to 535 Fifth, and we shared a suite.

With?

Glantz & Levey. In fact, we were very clever. We never had firm names on the door. We always had the names of the partners in alphabetical order, so when people walked in, they saw a suite twice as big as what we were occupying. We shared common areas and common expenses, and we were always eating out of each other's pot. You know how that is.

So they get involved. You brought them on the --

Well, they were watching, and they said, "Oh" -- they were very bright guys -- "Oh, hey, what is this?" And my partner said: "Let me tell you something. You want to do this? You don't go to Bernie. You come to us."

So that's Frank talking.

"Work through us." Yeah. "You work through us." Because Bernie was the well. If you have a well that's supplying cool, clear water, you don't want everybody to come and feed their cattle there. So they said, "Oh." Frank says: "I'll show you how to set it up, accounting-wise. But God damn it, you've got to be perfect. You cause any problem, we'll throw you the hell out. You've got to -- no nonsense, no crap and no bad money. ... No question about this now. This is the rule we always follow." "No, no, no. No problem. No problem." "You don't do favors for any investor. They get 1099s. No cash better be floating around. You've gotta be --" And they did. And I remember that.

What were you worried about, Mob money?

No. No, not Mob money. The Mob wouldn't go in for that kind of stuff. Bad-news people. Just bad-news people who get in trouble.

So you were sending money off to Madoff?

Yeah.

Avellino & Bienes?

Right.

You were issuing notes to people?

Yeah.

And then you were giving these people, depending on what they put in, 18, 17, 16 percent returns?

Correct.

And you were getting a little bit of the spread, because Bernie was making a little more?

Yes. So just a little bit.

So he would give you a little piece of the action for bringing him the investments?

No. He was giving us a rate of return. No, no piece of the action -- a rate of return. And we were offering people less. I mean, you don't have to be a rocket scientist to figure this out. If Bernie's giving us 20 or 19, I'm not gonna give you 22; I'm gonna give you a couple of points less.

So how did it work with Telfran?

Telfran, we took a little piece of their piece, and it worked its way down. We took a fraction of their give. They went through us. We sent it in. They were a client of ours.

So they were giving their investors less?

Oh, yeah. Their investors were getting less than ours was, because they had come in later, and they wanted a little more than they should have had, I think. I never asked them, but I always felt they were taking a titch too much, a titch too much.

So they were like an associate of ours, and we used to have to reconcile their accounts to our accounts.

... And then Richard [Glantz], the son of Edward.

See, he was a lawyer in California.

And he got involved?

He got involved.

So his clients were even getting less?

Yes, of course.

Or is he dealing directly with you? Or is he dealing directly with --

No, Richard was dealing through us.

So he's given the same return that Telfran's getting?

Yeah. Yeah, yeah.

So now you've expanded the base.

Right.

You got a lot of money involved.

Yeah, right. We had \$441 million, which included Telfran.

So that's almost a half a billion dollars.

Almost a half a billion.

OK. And then you've got to get all this back. So how did that work?

... The SEC ... ordered Madoff to convert all our funds into T-bills, Treasuries, safeties, all of it -- which he did, immediately. Then they said, "Send it back to them, in money, to the account," which the SEC controlled, OK? We were told to pay back the principal plus the accrued interest.

How many clients did this include?

About 3,200 at the time.

A lot of people.

A lot of people. A lot of people. Well, again, you know, people in the same family -- "One for my nephew, one for my niece, one for my uncle Saul, one for my aunt Sadie." And it was the same family but multiple accounts.

So what did you tell people [about] why you were returning the money?

We had to send out a letter, which was drafted by the SEC. We couldn't fiddle with that. We had to send that out immediately. ...

And then? So what happens next? You're out of business?

We are out of business. And we got the money back. And then we're sitting, waiting, in '92, because the SEC could have gone after us to disgorge profits we shouldn't have made. And we were on tenterhooks with that. And then I think in April the phone rang, and my wife screamed out, "Michael, it's Ira Sorkin."

I said, "Ira, how are you?" He says: "Listen, here's the

thing. I was with them, and this is what's going to be, if you want it. If you want it, you pay a fine of \$250,000 for the firm, \$50,000 each. That's a total of \$350,000 -- \$175,000 each, and it's done. They're finished; they release your funds, your personal assets, and it's over. What do you think?"

I said, "Do you think my head comes to a point?" He says, "I haven't spoken to your partner, Frank. What will he think?" I said, "If he thinks any different than me, I'll choke him to death." (Laughs.) So it's really not gonna be a problem. I mean, we're both dancing.

Who cared about Bernie? I was free. It was over -- 250 thou. A trial would have cost us a million dollars in legal fees, and who knows how it would have turned out? And I'm worrying about Bernie, why he wasn't named? I keep my eye on my own soup bowl. I don't go looking at what's in somebody else's pot. I wanted it over with. I wanted it ended.

Around this time, your charitable giving, from what I can tell, picks up.

Yes.

What was going on?

No, because we were able to go back to Bernie and reinvest in our own name with the funds that we had.

How much did you have at that point?

I don't remember. I can't tell you.

Fifty million?

Oh, God, no. Please, come on. Not even half that. Not even half that. No. Much, much, much less. This was 1993. No, no. We had a pension plan, I remember. Or we established a new one because we paid out our

employees from the old one in the lump sum. We didn't make them dingle and dangle and wait for their money and pay it out. We gave them lump-sum payouts in full, fully vested, and then we took a master plan and listed the four of us, Frank's wife, Nancy, Dianne and I. But I don't remember, Martin, I really don't. It's too many years ago.

But you started making a lot of gifts at this point?

We started slowly then, not big. No, no, no. We started slowly. It picked up in the late '90s, and in the 21st century, we really got into it big time, because we were adding on and not taking the money from our account. We're letting it grow, grow.

You're invested with Bernie?

Yeah, of course.

So approximately how much do you get invested with Bernie at that point [after '92]?

I don't remember. You know, could it be \$15 million? Could it be \$18 million? I don't know. Seventeen.

So it's in that ballpark?

Could have been, yes. Should have been, but it's still a guess.

And you're making what kind of interest on that money?

Oh, that. I'm glad you asked. I'm glad you asked. I said to my partner, Frank, at that time: "How lucky we are. Thank God they closed us down." You know what we were getting? Nine and a half, 10 maybe, at best. Bernie said: "The golden days are over. I got into a little snag with the margin accounts. I was told I was over margin." I didn't know what the hell he was talking about. "And I have to

buy options. And options are very expensive now. They're gone up in price, double. And I won't trade with blah, blah, blah, blah, blah, blah, blah, blah." I don't know what the hell he's talking -- I said to myself: "I'm so glad I'm back with Bernie. Ten percent, 9 3/4 -- it's wonderful. Who cares? He took me back."

And his expression was: "You effin' guys. You effin' guys. You're lucky. You're lucky I take you back. You effin' guys."

But he goes right suddenly from -- in '92, he's still managing to pay you enough so that you can pay your investors 16, 17 percent, big money, to suddenly he's giving 9.5 percent?

All right. Could I tell you something? There was a shortfall at the final totalization, and I'll tell you why. Remember when I said the SEC ordered him into Treasuries, but they kept our interest accruing to our people at the previous rate? We had a big shortfall for these months, for that time frame.

Even you figure 3 percent, 2 percent versus 16 percent, for all these people and all that money, in six weeks, baby, your money. But we had to take it out of our own, as we always said we would, and we did. I think it cost us -- this number, I can remember; what I make, I don't remember. What it cost me, I do. I think it cost us \$9 million each, \$18 million to make up the shortfall.

But suddenly now Bernie's only getting, you know, who knows, 12 percent? And he's only offering you 9.5 or 10 percent?

I don't know what Bernie's getting. I know what he's offering.

... But he's only offering you 9.5 and giving you a story about how it's tough times.

Yeah. And I was happy to be with him.

And you still don't care how he's doing it?

No, because I always figured I knew. He was a market maker. The market is an ongoing auction. That's what the market is. The bell rings; the auction begins. The bell rings; the auction stops. It's an auction, and the auctioneer has to make money. Sotheby's, Christie's, they don't lose.

... Where did you decide where to put your charitable donations?

... We first got involved with the arts because we felt that Broward County and South Florida were a cultural wasteland. And we wanted to support the opera and the ballet and the philharmonic. We thought that was essential to make this a major player in America. We would never get the right corporations down here if the top executives felt that their children were growing up in a cultural wasteland. We wanted to have a center, we wanted to have theater, and we supported all those things. And that was where a lot of society was, and we were in society in Fort Lauderdale. ...

When I left Bernie in '93, and he allowed us to reinvest, I walked away from the whole thing. ... I swear to God in all his mercy I left it all behind. I had no clients. I brought no one to him. I never mentioned his name. ...

What did you tell the clients that had gotten their money back?

Goodbye. Here's your -- they knew. It was in the papers. Here's your money; don't bother me. I know nothing. I'm out of this.

Where did these people go?

I don't know where they went, and I couldn't care less.

But there's all these people running around right now talking and saying that they were advised by Avellino or Michael Bienes to put their money --

If they called me, I said: "Listen, the only advice I can give you is call Bernie if you want to get in. I don't know if he'll take you."

Or call Michael Sullivan.

Editor's Note: Michael Sullivan is a Florida accountant who met Frank Avellino through Bible study. Sources have told FRONTLINE that after 1992, Sullivan took on around 50 of Avellino & Bienes' accounts.

No. Absolutely not. Never.

Now why does that push a button?

Because it's not so. And that's what really bugs me.

But you've got people saying that they were advised --

I don't care what people say. They're lying.

Why would they lie?

Or they're mixing up. Because let me tell you about Sullivan. My partner said to me: "There's a guy in my church with his partner, Greg Powell. They're terrific guys. They're accountants, former IRS, and they knew about me. I've spent hours, we work on this committee and that committee. And they would love to get into this thing. And I could get them to Bernie; I could get them to get an account or two with Bernie."

And I said: "Frank, you'd better tell them not to make the mistake we made, because they'd better be licensed." "Oh, no. No, no. They're going through the whole thing. They have a lawyer. They have this; they have that." I said: "Fine. I don't know who they are." I read an article

once that they had a Bible in their office and they did prayers and big Methodist things. I said, "Those the guys down the hall from the office that we opened and never used?" "Yeah. Yeah. Yeah."

That's on North Federal Highway.

Yeah. Then I met them quickly, because [Avellino] said to me, "We're being audited by the IRS." I knew that was gonna follow this SEC thing. It always does. And I said: "OK. We'll handle it." He says: "Michael, I'd like Sullivan and Powell to handle it. You're too emotional."

So I went up to their office, and I met them, and I saw the Bible and the crucifix and the whole lama ding dong. And he says, "You know, Frank really said it." I said: "Look guys, I'm gonna give you a word of advice: Do it right. Do it right. Be precise. And if there's any question about who gets what, give it to your client. Don't get --"

Who introduced Sullivan, Powell and [Steven F.] Jacob [another partner of Sullivan's] to Bernie Madoff?

My partner must have. I certainly didn't.

And who introduced all those clients that used to be going to Avellino & Bienes to Sullivan and his partners?

I don't [know] if he had clients who used to go to Avellino & Bienes.

Well, I've talked to people and seen that they invested with you --

I never introduced anyone to --

You never suggested --

Never. Never.

-- ever, that you could go to Michael Sullivan --

No. No. No.

-- and that you could continue to invest with Madoff through Sullivan.

Somebody may have said to me, "How is this Sullivan guy? I hear--" And I would say, "As far as I know, he's an upright, outstanding, religious man." And I said: "But I don't know anything more than that. I don't really know him. He handled a tax case for me very successfully. And we paid him a fee. And it came out no change."

So people that I'm talking to in the community who say they were guided by you and your partner Frank to Sullivan are lying?

If they're saying I did, they have to be. They have to be. Wait a minute -- no. I'll tell you. I was getting ready to leave for London last year. And the car was coming to take me to the airport. And the guard comes to the door. And he says, "One of your neighbors would like to speak to you." I know her. She lives in the area. And she comes. She says, "I don't want to bother you. But I know you knew about inve--" I said, "Look. I've told your husband I don't want anything to do with this." ... So she says: "No, no, Harry doesn't know anything about this. I've heard that there's this firm that handles money." And I said, "Who?" And she said, "Sullivan." I said: "I know him. He's an upright man. I know he's licensed; I think he's licensed. So you do what you want." She says, "Oh." I said, "What are you looking to invest?" She says, "Well, I have \$20 million." I said: "Are you out of your mind? Are you out of your total head? If you want to go with anybody, you open very small. You open modestly. And I mean tiny. You don't buy the whole pie." I didn't take her over there.

Why'd you tell her that? I mean, you had all your money with Madoff.

Not with Sullivan, I didn't. And I don't tell people to do what I do.

So you were telling her to be careful with Sullivan?

Yes. Very careful. But she brought it up. She came to my door and rang the bell.

And she knew that Sullivan was investing with Madoff.

People in town know.

And she was just asking your opinion.

That's all. All I could tell her was, "I know him as an upright citizen." By this time, Powell was dead; he died of brain cancer. So it was just Sullivan. ...

What was Grosvenor?

Grosvenor was -- when we went back with Madoff in '93, we went back in an account, a partnership account, my partner and I and the wives, of course. ...

Bernie said, "I'll let you guys back in, but I don't want to see your name on my books." So we had to make up a name, Grosvenor. At that time, we were staying at a little flat at the Grosvenor House flats till they closed it down, ... so we used that name. ... And my partner said to me, "Why don't we have, I don't know, just the four of us ... will put some money --" I like accounts. I like to have flexibility. ... I said, "We'll call it Mayfair," because that was the section of London where the Grosvenor [was]. Again, Bernie: "We don't want to see your names." It was small. It was small.

But why doesn't Bernie want to see your names?

I don't ask him. Oh, because we screwed up. We were to blame. We were to blame.

Why were you to blame? You had told Bernie that you were worried about it being illegal.

You think I'm gonna argue with him?

But you had told him you thought it might be illegal, and he said, "Don't worry about it."

That's right.

So what do you mean you screwed up?

He said he didn't want to see our names on his books.

Because that was a red flag to the regulators?

He said he didn't want to see our names on his books.

So you've got Mayfair. You've got Grosvenor. You've got Knightsbridge.

Me. That was all open and closed. Nothing ever happened there.

There was only one other, one other. It was called Mayfair Accounting Services. Now, I'm gonna explain what that is. Eventually, for some crazy reason, we changed the name to Mayfair Bookkeeping. When we had expenses, we would fund the petty cash box. The petty cash box was Mayfair Bookkeeping Services.

We'd put in \$12,000, \$15,000, and you'd pay your expenses: FedEx, legal fees, accounting fees, postage, this and that. And it was a partnership -- 50 percent Frank, 50 percent Michael -- and he'd prepare K-1s. And in fact, this year it's still there. I got a K-1 that my share of the expenses was \$8,000.

So you're still essentially in business with Avelline and the Mayfair. I mean, you're still on the books --

We're partners.

-- as partners.

If we went into a real estate deal in a partnership, am I your partner? Technically, yes. Am I your partner? No. Now, why was the other reason for Mayfair Bookkeeping, OK? We have a pension plan, I told you. A pension plan cannot exist in the air. It has to be attached to a company.

You said "we." You mean who?

Frank Avellino, Nancy Avellino, Dianne Bienes, Michael Bienes. Pension plan.

And this was Mayfair Bookkeeping?

Mayfair Bookkeeping Pension Plan. That's the third account.

And that was invested also with -- ?

Madoff. But it can't exist on its own. It has to be attached to a company.

So how many companies are we talking about here?

Three. Grosvenor, Mayfair Ventures and Mayfair Bookkeeping -- or Mayfair Pension Plan, really -- was the three accounts with Madoff. Three accounts with Madoff.

Your partner, Frank, has used and at one point managed a foundation called the Menn Jordan Foundation. What was that?

I don't know.

Now, subsequently he has taken money from people to

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invest with Madoff, according to these investors, and invested it with something called Kenn Jordan Associates. Do you know anything about that?

Nothing about that. Under oath. Under God. Under the Supreme Court. Nothing until I read about it in the papers. ...

You know something about Frank and me? We always minded our own p's and q's. Ask no questions, expect no answers. The only thing we ever discussed was what we were involved in, and that was the pension plan, Mayfair Ventures, which was always 25 percent each, and of course Grosvenor. ...

Was Frank taking any money from anybody that you were aware of and placing with Bernie Madoff post-'91?

Absolutely not that I was aware of. No. No. No. No.

Was he steering people to Michael Sullivan?

I don't know. I don't know. I really don't know. ...

You've been aware of the news that Frank has been sued by a few people up in Nantucket, [Mass].

I've read in the paper one person, yes.

Well, it's actually three people now.

Oh. Now it's three.

It was his housekeeper to begin with, and then it was the people that he bought his house from, a couple that he bought his house from. And they're claiming that they knew that money was going through Frank, through Kenn Jordan Associates, just as the housekeeper was putting her money through Kenn Jordan Associates.

That I know nothing about.

And that money was going to Madoff. Does that surprise you?

Does it surprise me? In this world today, after what Bernie did, nothing surprises me.

But you were in business with Frank Avellino. You admired the guy.

Yeah.

You called him your brother.

Yes.

Does it surprise you that he would violate the order that he received in ['92]?

I don't know if he did or not. I can't pass judgment on him.

Well, if the affidavits are true.

If they are, then what am I to say if they are?

Does it surprise you?

No.

Why not?

Yes. I don't even think about it. What difference does it make? It's not me. I didn't do it. If he did something foolish, then he's a fool. I was burned so badly. I am still in a state of shock from the SEC in '92, '93. ...

So you made all your money with Avellino & Bienes up till '92, and after that through direct investment with Bernie Madoff?

Yes.

And how much money have you given away to charity over the years?

I would say between \$35 and \$40 million.

And so, prior to Dec. 11, [when Madoff was arrested,] what was your assumed net worth?

You want to know? Over \$70 million. I think I'll kill myself now, now that you made me say the number.

Well, don't do that.

I had big thoughts of it, I will tell you something.

How did the news come to you?

Oh, I'll tell you how. But I'll get back to something else. When I was London, I didn't have any firearms in the apartment. You're not allowed to. If I had gotten the news here rather than in London, where I have firearms licensed, I might have done it. These first two weeks, Martin, I just couldn't process it. I could not process it. I just couldn't. It wouldn't come into my head.

Do you feel that you let down all the people that invested through Avellino & Bienes into Madoff, who continued to invest with Madoff?

I certainly did not. I paid them back. I paid them back within a week in full.

But they continued to invest with Madoff.

What do you want from me?

People want due diligence from the people whose investment advice they take.

I didn't give 'em that advice.

How can you say that? You were investing their money. That was your best advice as to where the money should go.

And I gave it back to them.

But they continued with Madoff, just as you did.

I did, and they did. I didn't advise them to; they wanted to. I don't have to go around saying, "I'm not advising you to do this now." I don't know half of them.

But you got them started.

Yeah. I got 'em started. Right. They got themselves started. I told you, we never advertised, never promoted, never sent out a Christmas card. No, I didn't get them started.

But you were singing Bernie's praises all those years.

To those who asked, yeah. Very few. A lot of the people who invested with us didn't know Bernie Madoff from Mussolini and couldn't care less.

All the more reason that they were trusting you and Frank.

Yeah. And they got their money back in full.

But almost all of those people went back to Bernie Madoff for another --

I don't know if almost all of them did, because I didn't track it. I didn't care. I was not interested. I ran and I hid in the tall grass and licked my wounds.

And so after '92, you think you absolved all

responsibility?

Of course I did.

But, I mean, there's no part of you that feels some kind of contrition for having participated in steering people toward Bernie Madoff?

Let me tell you something, OK? Figure this one out. You go with Bernie in '92, and 16 years later the whole thing explodes. Suppose you were making 10 percent a year and you took the money. You'd have 160 percent, wouldn't you? Wouldn't you? What's your problem? What's your problem?

Well, what's your problem? You lost all your money, too.

Yeah. And I don't go around blaming anyone for it. I did it for myself.

But you've got a problem, right?

Yeah.

You've used home equity.

Yes.

You've borrowed money.

Yes. From a bank. From a bank. Not from people.

But you're in trouble now?

Yes. Big trouble.

A lot of people are in big trouble.

Yes. But I don't point fingers at anyone. And I don't even point fingers at anything. I don't point fingers at any

agency, at any bank. I just am a man.

So what do you say to the people that are watching this, that got involved in this through you and Frank, and who are angry, feel like they were misled, feel that they've been violated, robbed?

I didn't violate them; Madoff did. Focus on who was the perpetrator. ...

A couple of honors came your way. One was that you were knighted. How did that come about? What did that mean to you?

Meant a lot. It was a great honor.

Tell me about the ceremony.

Well, it was an investiture at St. Mary's Cathedral, Miami Shores, and it was the Knight of St. Gregory. And it was something that really took me. I know it was an ego thing, too, and I tried not to let it be. And I know that Americans, we're a republic, so titles don't work here. You gotta keep it in your hat. But I was very honored. I was raised to a knight commander several years later, that felt very good, too. And Dianne became a dame of Saint Gregory. And then when I became this past year, a knight commander cum placet -- the highest, with star, that means, you know -- and Dianne became a dame commander, it was very fulfilling to us.

Now, look, let me say this: It's money. We gave money. Want to be honest with you. I'm not a saint. Dianne's not a saint. We're being recognized for supporting the faith. It's not like I am a great spiritualist or I wrote a book or went on a pilgrimage or converted a nation.

We gave money. We gave money. It's all about money. And these days are ever now, and I'm gonna miss that, because that's what we like. We didn't want a yacht, a jet plane or a country club or golf clubs or lunch. We never

were for that. Never really impressed us. We hardly use this house. We closed down the entertainment pavilion. They were saying, "Oh, in London they live right behind the Ritz." I wish it on them. The building was put up in '36 and was shrouded in covering for over a year. We are humble people.

So you're saying that, in a sense, these were honors that came to you simply because you gave a lot of money to the community.

Yeah, I think so. I think so.

Does that take away from it?

No. I don't think it did. Our biggest [budget line] item was charity. If we had put all the money we took out and put it in an account, a bank account, we wouldn't be worried today, would we now?

You were also honored by Nova Southeastern University in 2002. They made a videotape, "Entrepreneur of the Year."

Yeah.

Was that earned?

No, of course not.

Why not?

They wanted to get me on board. I had money, and I was a donor, and I was a big potential. There was two others with me that year -- they do three a year. And they put me on the Nova board. And just really recently, a guy from the board came over to the house and [said], "How you doin' there?" ... I said, "Cut to the chase." He says, "Well, not everybody --" But I said: "All right, stop now. I don't want to hear more. My letter of resignation will be

in the mail tomorrow." And it was. Come on. I'm a realist. I'm a realist. Honors. Come on, please. ...

The library a few years ago announced that they needed a million dollars.

Yeah. It happened at the dinner table here.

Tell me. What happened?

All right. Sam Morrison, who was then the head of the library, Dianne and I really were very in tune with him; we liked him very much. And he started talking about the plans he had for the library rare book room. I said, "Well, Sam, we gave you our collection of art books, and I think they were appraised by a specialist from New York for \$220,000."

He says, "Yes, but that doesn't count toward the matching gift, so we need a million to get the state to match it." So I said -- I was at one end of the table, Dianne was at the other -- I said: "Well, listen, we could do a matching thing. You raise [\$500,000], and I'll give you five." And Dianne said to me across the table, "That's not what Sam wants."

I said: "That's two things not what Sam wants. Sam doesn't want the books. He can't count that. What does Sam want?" And so my wife says to Sam, "Tell him what you want." He says, "I want \$1 million." I said: "I want to get back to my food. You got it." ...

So it was easy come, easy go.

Yes. That's how we felt that God gave it to us. Easy come and easy go, for good causes. ...

Did you talk to Bernie Madoff after '93?

Maybe once or twice. Maybe once or twice.

But you didn't have an ongoing sort of relationship with him?

No, those days were over.

And you never questioned how he was able to -- even when the markets were going down, during the dot-com era when the bubble burst and then recently, you never sort of looked at your statement and [thought], "How the hell is this being made?"

No. You know what I used to do with the statements? When I had two or three, I'd run them over to my accountant so she could work on them during the year when times were slow so I'd have my K-1 ready by year end.

But how did you figure that you were making steady returns month after month after month when everybody else was losing money?

You know something? I was in London. He had been doing it for 35 years. He was the market maker. He was a genius as far as I was concerned. I saw him going from blue chips to Treasuries to blue chips to Treasuries. And I said, "This is great." ...

When's the last time you took money out of Madoff?

I don't remember. The fall of '02, we were making a call for money. We had just sent a fax through from London for a pull on money for the year end. And she sent it out

--

Who sent it out?

My wife. She always handled that.

Bianne sent it out, a request for money?

Yeah.

For how much?

I think it was \$750,000.

So you were asking for \$750,000, and this would have been in November?

Middle of December.

December?

Yeah.

Middle of December?

Yeah.

No, that's past the--

No. Just before the -- she may have sent it out, like, [Dec.] 10, or 9 or 10. She sent it out before--

So just before the bad news comes out you've asked for \$750,000?

Yeah, right. Did we get it? No, of course not.

And why were you asking for so much money then?

You always need it in December for charities. That's when we pay our charities. Most people do.

So if I go back, I'll see that regularly every December?

Oh, yeah. Oh, yeah.

That you're pulling big money out.

It's December and January were the two big pulls.
December: charity; January: charity and taxes.

Did you have any warning that anything was amiss?

As God as my only judge, on my mother's grave, not an inkling, not a tickle, nothing. May he strike me dead.

So phone rings. And my wife is working with this guy in London on her new computer and a fax. I pick up the phone. He says, "Hello, Michael, it's Frank." And I said, "Frank, what's wrong?" because I could hear it in his voice. "Michael, Bernie Madoff --" I said, "He died." In a nanosec, "He died." "Was arrested." I said, "Oh, no." And in then another nanosecond, "Sex crime or some shit," you know? "For stock fraud."

And then I said, "Someone's setting him up." In my mind, "Someone's setting him up." "He was arrested by the FBI, and he said he was guilty of being a Ponzi swindler, schemer." I said, "Oh my God, Frank, I'm ruined." I did the arithmetic. I was wiped out, and I was in debt, and I didn't have the assets to cover the debts to the bank. I said: "Frank, I'm ruined. I'm dead."

What did Frank say?

He says, "What can I tell you?" I said: "You're already -- you have houses; most of them don't have mortgages. You'll come out OK, Frank. God bless you, you were smart." ...

By the time you were getting into trouble with the SEC in '92, were you aware of the other investors that were involved, such as Fairfield Greenwich Group, [Boston philanthropist] Carl Shapiro, [stockbroker and Shapiro's son-in-law] Robert Jaffe?

Let me tell you something. I thought we were like Bernie's one and only with a few sidebar friends and stuff.

Like Telfran.

Yes. No, no, no.

So you thought your operation was the single feeder.

Yes! Yes. Honest to God, I thought we were the people. Bernie was running a big trading business, and this was a little piece he allowed us to have. And we brought in Telfran. And I realized he had friends and he had family and he had people he knew; I wasn't naive. But I always felt that we were the one and only.

You didn't know about the Palm Beach crowd?

Never. Knew nothing about them, never, ever. I never socialized with Bernie. I never knew his people. I thought we were the ones. I thought we were the ones.

When did you find out that wasn't the case?

When Bernie burned and crashed. Then all of a sudden, newspapers said, "Oh, my God."

Now, there were articles that came out along the way in Barron's, The Wall Street Journal.

Never read them.

Were you never aware that there were people raising serious questions about Bernie Madoff's operation, such as Harry Markopolos and others?

As God is my judge, never. Never read The Wall Street Journal. Never got The New York Times. Never got Barron's. Never read Forbes. Never read anything. When I was here, I grabbed The Miami Herald and the Sun-Sentinel and go right to the local section to see what's what. In London, no articles about Madoff at all. My wife used to read the business section in the Daily Telegraph. I never did.

[Did] you ever meet any other Madoff investors while you were in London?

Never. Never. Not a one. Not a one. I never used his name. I never used his name. To me, it was like the secret name of God. Even when we had the business, I tried not to use his name.

Was that something Bernie asked you not to mention his name?

No. No. I just thought it added to the whole efficacy. I didn't want to be known as his front man.

Well, you were his front man for years.

Oh, I know I was.

You and Frank were front men.

Yes, of course, we were. Nothing else but.

Do you feel like you were stooges?

In a way we were. In a way we were. We were stooges. My wife always said: "He has no respect for you, you know. I see how he looks and talks to you." I said: "So? The money's there."

What do you mean, she saw how he looked and talked?

Looked and talked to me.

Like when?

When we had our meetings. When the business was going on.

He treated you badly?

Not badly. He was just -- you know what I'm saying -- a bit of a lack of dignity: "You guys, you guys, listen. I wanna tell you guys, I'm giving you guys -- I want you to -

- "You know, it's not like we were his peers.

Well, he was giving you orders.

Yeah.

Like what kind of orders?

"Are people happy? Keep your product happy. Are all your people happy?" "Yes, Bernie." "Are your people --" He had a habit of doing something. He'd ask you a question, and you would answer it, and then he'd come right back to it, and you'd answer it a second time. Then he'd come right back to it a third time.

Sometimes he'd ask you a question on the phone, and you'd get done with the conversation; he'd hang up. Thirty seconds later, the phone's -- "But listen, when do you -- ?" Another time. He kept doing that. Every 30 seconds he'd call you back to reconfirm the confirmation that you would have previously confirmed.

Did he ever lose his temper with you?

No, never.

Did he ever refuse your investors? Did you bring people to him and have him say, "I won't take them"?

I never brought people to him. I brought people to me, not to him.

But you then took that money to him. Did he ever reject it?

Never.

So anything that could get to you would get to him.

Yes.

And that was 100 percent of your business.

A hundred percent.

What do you think of Bernie Madoff today?

God in heaven, it's beyond my understanding how a man could do that to himself, his family, his wife, his brother, his children, his grandchildren. They're gonna have to change their last names.

What did he do, and when did he do it?

I don't know.

Well, you're closer to him than most people that we're going to talk to. You have some better instincts about where this went off the rails.

I don't. You know why? I didn't know anything post-'93. I had no idea that he was --

Yeah, but I can't believe, Michael, that you don't have a better instinct about this than Joe Schmo does on the street. And you're pretending that you have no idea when this went wrong?

How could I know?

Because you were close to him.

No, I was not close to him.

You funneled almost a half a billion dollars --

After '92, he just had my accounts.

Before '92, he's telling you, "Don't worry about the SEC."
He's giving you bum advice.

Yeah.

You don't suspect that? You don't suspect that you're being steeged by this guy? He's giving you bum advice.

All right, let me tell you. In '93, after it was all settled out with the SEC, we asked for a meeting at Bernie's office with Bernie, which took place around 5:30 in the afternoon.

Up in the Lipstick Building.

In the Lipstick Building. And when I got there and they showed us into the conference room, my partner and his wife were sitting there, and Bernie was sitting at this --

Frank and Nancy?

Frank and Nancy at the same side of the table, and Dianne and I sat down at the other side of the table.

And it's just the five of you?

Just the five of us.

No Peter [Madoff, Bernie's brother]? No sons?

Never. We never met with Peter, and we never met with his sons.

Or Ruth [Madoff, Bernie's wife]?

Oh, Ruth used to fly in and out. "Hiya, Ruthie." "Hi." "What's Ruthie doing here, Bernie?" "Oh, she's filing." Filing.

So go back to this meeting. So the five of you sit down.

So we're sitting there, and we start to talk. And all of a sudden I lose it. "All right," I said, "you son of a bitch, it's

over now. We went through it. It cost us a lot of money and a lot of grief. And it's all your fault, Bernie. God damn you, it's your fault, because we asked you: 'Should we be registered? Should we get registered?' We were willing to do it. We were willing to pay any lawyer any fee. And you said, 'No, no, no, no, no, no, no.' And now you're looking at us as if we did something wrong?" And I just kept ranting. And I couldn't control it.

What do you mean he was looking at you like you did something wrong?

"It's over now." He started with that kind of business. "You effin' guys have to get yourselves in order now." And then I lost it. And I let go. And I let go as I never had before.

I said: "I'm telling you right now, Bernie, I'm scared out of my wits talking to you this way. I'm frightened as hell. But if I can't get this off my chest now, I'm not gonna live with it. It's your fault. We came to you more than once and said: 'Are we OK? Are we doing something --?' And you assured us, big shot, that we were fine, we were just investors, when you knew God damn well we weren't."

Why didn't you go get an attorney and get yourself straightened out? Why were you listening to Bernie Madoff? I mean, if you knew, if you suspected that you were an illegal operation, why didn't you take responsibility?

Why didn't I just say to him: "I'm walking away from all these accounts. You take them over, and I'm gonna go back and become an accountant and shly people's books?"

Look, you had \$15, \$16 million by then.

No, I did not.

You said by '02, you had \$17, \$18, \$19 million --

No, I didn't know what we really had because our monies were all in these accounts.

Right. But you had in those accounts, from what you could see, and you told me --

You know, when you're making money like that and your business is going good, you don't walk away from -- you gotta be a realist.

You do if it's illegal.

He said it wasn't, and I believed him.

What about a second opinion?

And what good would that have done?

You might have gotten the truth.

Yeah. And the second opinion would've been, "You should be licensed." "Hey, Bernie, I went to a lawyer, and he says I should --" And, "You're out of here, fella. You're gone."

So you were willing to blind yourself to what might have cost you that money.

Yes.

That's greed.

Yes.

That's nothing else but greed, right?

Yes. And fear. Fear of him.

So what did he say to you? When you let go --

Afterward, I get done, and he says: "Look, I heard enough from you. Now I want you to stop. You're starting to get to me." Very low, very cool. And I said to myself, "Uh-oh, not only am I putting myself at risk, I'm putting my partner, Frank, at risk."

Because he could just tell you to take your money and go.

Yes. And I can't do that to Frank. So I said: "Bernie, I'm sorry. I'm just a very scared person. And let's forget what I said and go on with this. I apologize."

He intimidated you.

Yes.

He scared you. Why?

Because he's Bernie Madoff. ...

What do you mean?

He was the guy with the big offices, two floors, over 100 employees, all kinds of awards. People told me that he was a talking head. I never saw him on the cable, but he was a talking head. And he once showed me a letter from the head of the SEC congratulating him for staying open during the big market drop in '87, when many firms shut down. And then he told me about his offsite trading room in Queens, in the event of a nuclear -- what, hey, come on, I'm just a little accountant.

But he needed you. He needed you and Frank. You say you believed that you were the only feeders.

Yeah, I thought.

So he needed you. So why be intimidated by him? Without you guys, where was he going to be?

He had a big trading operation. He was a market maker. He was one of the top market makers on the street. He traded all the stocks on the Nasdaq. Why would he need us? I told you, I believed we were his only feeder. We were a small component of his huge business. He could lap us and say, "Forget it," or just make some calls and get other people to do what we were doing.

So you believed that you were kind of a side business of his --

Yes.

-- and that he had the golden hand, Midas touch, but it wasn't that big. So you were surprised when you learned about all these other people. Then the guy gets arrested. FBI comes to him; he tells them it's all one big lie.

How did he do it? I still can't figure it out.

You know, do you think people are going to believe you, that you didn't know?

I don't care if they do or not.

Well, sure you care?

No, I don't, because I know what the truth is. I know what the truth is. Bernie was forever. Bernie was the Rock of Gibraltar. We were talking about our pension plan, and I said to my wife: "Now, you have five and a half more years before you have to start to draw down, so by that time, your balance should be this. I have to start drawing down this year, but I'll still be drawing less on the government schedule than we make, and I won't have crossover for five years." We were talking about the future as if we were talking about God. Now, if people don't believe that when you talk that way about a business or a person, then who cares?

And you never suspected that he was up to no good?

Up to no good? He was a god. He was my life.

You dealt there with some other folks, like Frank DiPascali?

I spoke to him twice I think.

That's all?

Yes.

So, when you called up and asked for a withdrawal --

No, we faxed it in.

You faxed it in?

He didn't want calls. There was a fax.

And Dianne would fax it in?

She would fax it in.

And what do you think? I mean, how much money do you think he's--

If I had any hint about him, wouldn't I have taken my money out?

No. Because you could've thought he was bad but thought that it would last longer.

Oh my God. That's a nursery tale, please. ... I'm an accountant. I can figure it out. The bubble has to burst.

You had no idea what he was doing with the money?

Yes, I did. I got statements, I got transaction slips.

But you said you didn't understand them.

I saw he was buying and selling stocks, listed securities.

But you said you never checked the prices of those stocks against the trading range for the day? You never did due diligence on them?

No. On my own statements, no.

And on the clients that you had?

Well, when we had the clients, we were giving them interest, so what difference did it make?

Because if it didn't smell right, you know, maybe it wasn't right.

That's back in '92, '90, '82, '85, '82, '80, '79, '76. Who remembers and who knows what we did?

But 19 percent interest, 18 percent interest.

You know, people were paying that when I bought a house down here in 1980. You were paying 18 percent for a mortgage.

For a very short period of time. Bernie Madoff was delivering 18 percent for year after year after year.

When I first met him, he was delivering 24.

Well, that's too good to be true.

Is it?

Well, I think it was.

Well, in hindsight, sure it was. But maybe not. Maybe it was true, and then when it wasn't true, he couldn't back

away from it. Though he was paying only 11, 12, 13 percent even to the biggest clients, where I read in the paper, and he was paying less than 10 to me. So the glory days were over, and they have been for years. So that made sense to me.

And order flow made sense to me. Again, you pay 2 cents and you make [an eighth] of a point, 12-and-a-half cents. Well, that's a pretty big split. Why shouldn't he be able to make 10 percent, 12 percent?

Did he complain about the reforms during the '90s, when decimalization came in, and other reforms were put in place by the SEC?

He did say that the reforms didn't allow him to do what he used to do, and that's why the returns were going to be much lower post-92. And they were. They were. They were half. They were half. He said: "I got burned on the margin. And the rules changed." Hey, that's OK with me. He took me back at nine and a half. Not too bad. Not too bad. Not too bad at all.

Good while it lasted?

Yeah. Nine and a half. What? I was making a bundle of money. You seem to think I was making 30 percent. I was making nine and a half percent year after year after year. Is that so -- there were junk bonds paying more than that in the '80s under [Michael] Milken. Come on.

How many years were you investing with him?

Bernie, from the beginning, about 35 years.

Did you ever have a down year?

Never. Not once.

How many people do you know that invest their money

that never have a down year?

I don't know. I don't discuss the market with people.

But you read enough. I mean, you know.

No, I don't read enough. I told you, I don't get The Wall Street Journal or The New York Times. I was involved in the arts; I was involved in charities; I was involved in boards. Bernie was the well. I just turned the spigot, sent him the fax, the money came.

Easy money?

Easy money. That's why it was so easy. I gave so much of it away. I felt it was the right and righteous thing to do.

And now your feelings about Bernie?

He's destroyed our life.

Are you angry with him?

Would it do any good?

Emotions are emotions. Why wouldn't you be angry with him?

I'm not happy with him. I'm not happy with him. I keep saying: "How could he do this? He doesn't have a heart. Something is missing there inside of him to do this to people." There's no need for it. If he got into trouble, you go to your lawyer, you go to the SEC. They put a receiver in. You pay off 50, 70 cents on the dollar. You close your business down, and you're a gentleman.

Other houses have done that. Merrill Lynch just did, and Lehman and all the others. You do the righteous thing. "Hey, we did some bad deals, we are finding our capital base has been eroded." You go to these wealthy people in Palm Beach and tell them the truth. ...

What did you know about the accountants?

All right. Now, this is important. When I went with Alpern & Heller, they had another employee, Jerry Horowitz, who was now working for Alpern part-time. It's the way it was done. You ease yourself out into your own practice.

Jerry was a nice guy, very quick, very good. He was a Mason and a simple guy who loved his wife and his kids and this and that. And guess what? He was Bernie's accountant. Saul Alpern once said, "You know, I think we'll take the account back, and I'll handle Bernie." So he went down to see Bernie and came back with his head in his hands, because Bernie said: "No, Saul, I'm not going back with you. Jerry is my accountant, and Jerry stays my accountant." Then I was saying to myself for a second: "What's with this old man? He can't be Bernie's accountant; he's not independent." But Jerry was Bernie's accountant, and Jerry was a one-man show. ...

Wasn't that a red flag [that Madoff used this small accounting firm]?

To me, I was always wondering about it, because I'll tell you something, Martin: Auditing is a very labor-intensive business. That's why all the accounting firms wanted to get into consulting. It's just, auditing is so labor-intensive, they can't make a profit. And I was always wondering about Jerry doing this.

But I said to myself: "We never get statements. The SEC gets the statements, and the Nasdaq gets the statements." And I don't know who else gets the -- IRS gets the tax return. And if it's OK with them, who am I to say?

But I said to myself, "You knew, it seems a little strange." Now, Jerry got older. I lost contact with him. My partner told me he spoke to Jerry once in a while. Jerry had health issues. Jerry's daughter grew up and married an accountant named Friebling, who I never met, never

spoke to, never knew. And then it was Horowitz & Friehling, or Friehling & Horowitz.

And then I know Jerry retired to Florida, and his wife got very ill. And I saw him about 10 years ago. ... I said, "Are you still doing Bernie's work?" And he says, "My son-in-law does it now." All right, fine.

Now, what was my contact with Friehling? Every year, I think with the Oct. 31 statement, [included] in the envelope was a confirmation from the accountant, Friehling & Co., with a self-addressed envelope. That was my only contact. ...

posted may 12, 2009

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