

RE: Madoff Question

6/8/2005 8:43:00 AM

From: Ostrow, William D.
To: Nee, John Personal Privacy

We have already submitted the request with all of the information you asked us to obtain and some additional information. One of the requests we made was for a list of all individuals and/or entities that modify, monitor, adjust or interact with MA2.06 (Madoff's proprietary model). Additionally, we asked him to provide a list of their duties and responsibilities. Once we receive this list back, like you said it might be beneficial to request some of the e-mails for these individuals.

William Ostrow

Staff Accountant

U.S. Securities and Exchange Commission

Northeast Regional Office

3 World Financial Center - Room 4300

New York, New York 10281-1022

Personal Privacy

From: Nee, John
Sent: Tuesday, June 07, 2005 5:13 PM
To: Ostrow, William D.
Subject: RE: Madoff Question

Maybe you should request his e-mails, the guy in the cage and anyone else you think had correspondence with these customers.

Did you give him the other written requests from my previous e-mail?

From: Ostrow, William D.
Sent: Tuesday, June 07, 2005 5:07 PM
To: Nee, John
Cc: Lamore, Peter; Ostrow, William D.
Subject: RE: Madoff Question



A large portion of this exam has come down to semantics. On April 27th, we asked for all orders received by the firm February 28, 2005 through March 11, 2005. On trade date March 11, 2005, Bernie begins selling shares from his basket. He basically said it was due to the order coming in two months earlier. We noticed that the trading directive states, If the

correlation variance still exceeds stated tolerance, the model's predetermined orders to reverse positions will be exposed. We requested an explanation for this on the request we submitted regarding all documents related to MA2.06 and MISS.

Bernie also signed off on May 30, 2005 that there is NO correspondence including facsimiles, e-mails, instant messages, etc. between the firm and any client associated with Model MA2.06 for the time period between January 2004 and April 2005. Semantics maybe?

William Ostrow

Staff Accountant


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From: Nee, John
Sent: Tuesday, June 07, 2005 3:42 PM
To: Ostrow, William D.
Subject: RE: Madoff Question

What was the actual language we used in the request? It could be a matter of semantics. >

From: Ostrow, William D.
Sent: Tuesday, June 07, 2005 3:11 PM
To: Nee, John
Cc: Lamore, Peter; Ostrow, William D.
Subject: Madoff Question

John,

Here is a quick question. On one of the days that we requested trades, Bernie was closing a basket. I asked why we did not have these trades on the CD with all trades entered between 2/28/05 and 3/11/05. Bernie stated that because the basket was originally entered into in January, there were not orders entered in March, only executions of orders placed previously. How can this be if a specific price is not known and you are relying on the fluctuation of 50 stocks in a basket? Lamore views it as a standing limit order (good till cancel). What is your take?

William Ostrow

Staff Accountant

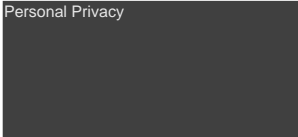
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