

**FW: Madoff**

6/2/2005 10:04:15 AM

From: Nee, John  
To: Sollazzo, Robert A

Personal Privacy

Bob,

Thought you'd find this interesting.

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From: Lamore, Peter  
Sent: Thursday, June 02, 2005 10:03 AM  
To: Nee, John  
Cc: Ostrow, William D.  
Subject: RE: Madoff

Hey John,

Thanks for the update. We'll put together a request today or first thing Monday regarding the items in your e-mail. We are still waiting for some documents from our last request.

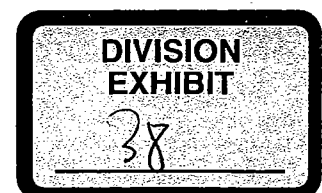
After reviewing the Kingate account statements for January through April 2005 (paper version), I don't believe the retail customer order flow information from Madoff's market-making business has anything to do with his hedge fund model. Essentially, he got long the S&P 100 for the hedge funds January 20 through January 24, 2005 and sold the S&P 100 (flattened out) March 10 through March 15, 2005. There was no activity in April 2005. Granted, his purchase & subsequent sale timing was excellent (buy low & sell high), but he held the basket for approximately six weeks. Therefore, I don't believe that he is using any short-term signals that would come from his retail order flow. I suspect that he is extremely well connected to European order flow information through his brokers (and possibly the investors in his fund) and is timing the market based upon that information rather than his retail order flow information.

Pete

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From: Nee, John  
Sent: Thursday, June 02, 2005 9:27 AM  
To: Ostrow, William D.; Lamore, Peter  
Subject: Madoff

William and Pete,



Bob spoke to Macchiaroli yesterday and he agreed that documents associated with the (black box) model should be subject to the books and records requirements since the model is used in the conducting of the firm's business.

I suggest giving him a written request citing the pertinent rules (see attached for sample language-pursuant to etc.) asking for all documents substantially relating to the mode. Also do the same for IT architecture relating to the MIS (?) system inclusive of all "feed" and access points in and out the system, connectivity to and accessibility from other systems, regular or intermittent data extracts in hard copy or file version), etc.