



The Rise
and Fall
of Bernie
Madoff

Too Good to Be True

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Peter was considered a “fast talker” and “one of the toughest with whom to do business, a very tough trader.”

One former employee recalled a time when Peter Madoff “started screaming at us one day about not using the blue pens” that Bernie hated. “I had just gone to the supply closet to get a pad of paper, and he was in the midst of throwing out hundreds of uni-ball Micro blue pens. Peter insisted. He said, ‘Throw them all out!’” The employee still has some of the blue pens today.

Despite his occasional outbursts, Peter, bespectacled and graying with close-cut hair, had a reputation as being “warm” and “very open” among those who served on panels or regulatory committees with him. But among his workers, Peter was considered “a ballbuster. Anytime I asked a question, he gave me a lawyer’s response,” said the former brokerage and trading employee. “If I needed anything, or any help, I never went to Peter or Shana. I always went to Mark. He gave a shit about me professionally. If it could wait, I went to Mark.” Shana Madoff, Peter’s daughter, a tall, lithe brunette, also had a reputation as being “difficult” in her role as a lawyer in charge of some trading compliance for the firm.

The people raising money for Madoff seemed to know Wall Street. Some of them had actually worked as brokers in the securities industry before coming to work for Madoff. For example, several Cohmad executives, including Jaffe, Marcia Cohn (Sonny Cohn’s daughter), and Jonathan Greenberg, had worked in the early 1980s at Cowen and Company, a small, regional New York broker-dealer that subsequently expanded to major U.S. cities, before joining Madoff.

Many of Cohmad’s fund-raisers who had not worked at Cowen had acquired experience elsewhere, usually from having worked as stock-brokers or analysts at other firms. For instance, Richard “Dick” Spring was also on the Cohmad payroll. Spring joined Cohmad in January 1986. He had worked at David J. Green & Co., a New York-based investment firm that had grown to manage more than \$1 billion in assets and was listed in 1996 as the 357th largest money manager of tax-exempt assets by *Pensions & Investments* magazine.

Some of those who raised money for Madoff’s illegal asset man-

agement operation were paid commissions through Cohmad, according to the dollars they brought in. Cohmad was just the toll-taker, the bank where money came in and then was passed on to the quasi-hedge fund Madoff was running. The money to pay these commissions came from Madoff himself.

In July 2001, for example, the Madoff firm made a monthly payment to Cohmad of almost \$1.3 million, and for several years after that the monthly amounts regularly exceeded \$750,000. Six people listed on Cohmad’s payroll earned more than \$12 million combined between 2003 and 2008. But by 2008, Madoff’s payments had slid, to slightly more than \$200,000 most months. Perhaps Madoff was running out of money, or perhaps investors were withdrawing because the stock market had collapsed. The S&P 500, the benchmark index used by investors to gauge how the stock market is doing, had slid almost 50 percent in one year alone. The stock market hadn’t seen such a bad year since the Great Depression.

Spring, who had brought in client assets totaling more than \$500 million as of January 2007, was one of the highest-paid fund-raisers at Cohmad. He received at least \$4.8 million from Cohmad between 2003 and 2007, according to company payment records. Spring’s attorney, **Kenneth Lipman**, of Boca Raton, Florida, later told the *Wall Street Journal* that Spring was merely a million-dollar victim who had no knowledge of the fraud. But for years Spring received payments from Cohmad in exchange for bringing investors, and possibly investment ideas, to Madoff. Jaffe was paid roughly \$100 million in commissions over a decade.

Ponzi schemes require more money coming in than is going out—and once investors withdraw more than they deposited, the account is a liability for the Ponzi scheme. Cohmad’s payment records reflect such a pattern, according to the SEC charges. Madoff stopped making payments on Cohmad accounts where the investor had withdrawn more than their original investment, and all the brokers working for Cohmad, which was essentially an in-house marketing operation for Madoff, accepted this arrangement year after year.

Indeed, the compensation setup gave Cohmad and the Cohns every incentive to discourage investors from withdrawing funds. Madoff’s fees to Cohmad brokers declined over time from 1 percent of funds