

CONMAN ABOUT TOWN

Unlock Bernie Madoff's London office and the secrets tumble out: the connection with the Latsis family, his hitherto unknown closest European associate and his last desperate cash transfer. His long-term employee Julia Fenwick tells Mark Hollingsworth and M.A. Nicholas how 'Uncle Bernie' pulled off his Ponzi



Bernie Madoff's London office at 12 Berkeley Street, Mayfair

Bernie alert! Look out!' is what investors must wish someone, anyone, had whispered before they gave Bernie Madoff, the world's most notorious confidence trickster, their money. It wasn't until he had swindled \$64.8 billion out of a mix of charities, private investors and hedgefunds that this 'master of the universe' confessed that his 'investment advisory business' was in fact a colossal hoax. But instead, the cry 'Bernie alert! Look out!' was how Madoff's London staff reacted when they found out that their boss would be paying them one of his three-yearly visits. His impending arrival always triggered a rocket shot of anxiety and adrenalin among the 28

employees of Madoff Securities International Ltd.

Tatler has been given a unique insight into Madoff's bizarre obsessive compulsive world by Julia Fenwick, the 38-year-old manager and longtime employee of his UK office. Bernard Madoff would walk through the doors at 12 Berkeley Street in Mayfair at 8.30am sharp on a Monday morning. According to Julia, the staff prepared for his visit by scurrying around with black marker pens to touch up the skirting boards and doors. Grey blinds on the tall windows were levelled. Each black computer monitor with its black mouse pad on each bespoke black ash desk was evenly spaced, at the same height. There were no paintings or pictures in colour. Armed with a tape measure, staff lined up the original black and white photographs of the New York skyline, Coney Island Beach and baseball legend Babe Ruth that meant so much to their boss. During

the seven years Julia Fenwick worked with Madoff, she never saw him study any documents. He did, however, scrutinise every detail of the interior design, no matter how mundane, and always in consultation with his decorator Susan Blumenfeld, a one-time neighbour and the wife of his best friend, property developer Edward Blumenfeld. The couple would often accompany the Madoffs to London. 'If Susan liked it,' Julia said, 'Bernie would buy it.' In the boardroom, Madoff had installed a large conference table of



Madoff's £20 million private jet



AFP



DURING THE SEVEN YEARS JULIA FENWICK WORKED WITH MADOFF, SHE NEVER SAW HIM STUDY ANY DOCUMENTS



The Bull, one of Madoff's three boats, berthed at Cap d'Antibes

Welsh slate that showed up every mark, often in chalky white. The marks could only be removed by a specialist cleaner. 'It was crazy. Everything on it [the table] would scratch,' says Julia. 'But he chose it because it was black.' In fact, a shade of black or grey defined every surface and each piece of furniture Madoff ever acquired, including his £20 million Embraer Regional Jet 145, which he bought in spring 2008.

Julia Fenwick never saw her boss use a computer or send an email, whether in the office or at one of his homes. He conducted his business on the most basic mobile phone. Cameras were installed in the London office to patrol his staff's behaviour from his personal monitors wherever he might be, even thousands of miles away.

The fanaticism with which Madoff micro-managed virtually every detail in his life belies the chaos of building and running a Ponzi scheme that is doomed to fail, as they all do, sooner or later. But like the early 20th-century Charles Ponzi himself, Bernie Madoff showed very little remorse once his financial house of cards collapsed.

Psychologists describe such people as psychopaths, but they are social chameleons too, who mirror whatever they perceive as the most desirable behaviour, deftly hiding their monstrous sense of entitlement. They disguise their narcissism with beguiling charm, if it serves their ambition.

So far, Madoff has appeared impervious to the consequences of his crimes. It was no surprise that while under house arrest at his apartment on East 64th Street, near Lexington Avenue, he ignored a large banner unfurled across the street from his spacious penthouse that read 'It's not too late to JUMP!'. In tragic contrast, the soft-spoken fund manager René-Thierry Magnon de la Villehuchet slit his wrists and died alone, late at night, after pondering his losses. The French nobleman had invested \$1.4 billion on behalf of some of Europe's grandest royals, including King Juan Carlos of Spain.

On the surface, Madoff was known as that nice Uncle Bernie, the financial genius. 'Bernie had a very good sense of humour,' says Fenwick. 'He was always smiling. Everyone liked him. He was a bit of a cheeky chap – sarcastic. He could talk and talk. He was smooth. He was the best boss in the world.' Such was the allegiance of Madoff's staff to him that, when one lawyer in the New York office was dying of cancer, he worked until almost his very last day. The head of one of America's stock exchanges, Nicholas Giordano, said Madoff 'was the darling of the regulators, without question'.

Lord Jacobs of Belgravia found Madoff to be 'such a charming man. He seemed like a very nice guy.' The former joint treasurer

of the Liberal Democrats and his wife Evelyn first invested with Madoff about 10 years ago after meeting Bernie and Ruth in Palm Beach, where both have winter homes. Lord Jacobs, who has donated part of his estimated £128 million fortune to the Tate, says he has 'suffered a real loss. It's not peanuts.' But to some, Madoff could appear aloof. One society matron who saw him in Palm Beach said: 'Bernie Madoff was never charming. Never.'

It is a bitter irony that one of the secrets of Madoff's enormous success, until his staggering collapse, was the aura of exclusivity he carefully nurtured among his investors. All 13,567 of them. As American comedienne

CAMERAS WERE INSTALLED IN THE LONDON OFFICE TO PATROL STAFF BEHAVIOUR

Joan Rivers jests: 'I lost money to Bernie Madoff. Any self-respecting Jew has to say that they lost money to Madoff.' Not that people will admit to losing money in the Madoff affair. Many well known London figures – from supermarket heirs to entrepreneurs, comedians and script writers – lost money but understandably declined *Tatler's* invitation to discuss their investment on the record, preferring anonymity.

There is a group of Jewish former New Yorkers living in St John's Wood and Mayfair who lost 10 to 30 per cent of their wealth by investing in J Ezra Merkin's Ascot fund, a feeder fund into Madoff. The minimum investment into Ascot was around £5 million.

One London investor is philosophical about her losses: 'It's hard to blame Ezra when he had more at stake, and in the end lost more, than any of us. We were protected from the catastrophe that many others are facing because Ascot was always presented it to us as a high-risk investment, so we didn't put in more than we were willing to gamble. Of course, we didn't know that "high-risk" actually meant "completely fabricated". There is a mad sort of camaraderie between us now having all realised with hindsight that, when something seems to good to be true, it probably is.'

On 10 February of this year, after losing his life savings that he had invested with Madoff, William Foxtan, 65, a retired and

decorated British army major, killed himself with a single shot to the head. His son, Willard Foxtan, was so angry that he tried to attend the New York court hearing so that he could fling his father's medals in Madoff's face, but he was unable to do so.

Madoff's secret weapon was to refuse money from potential investors at the first meeting. 'He kept people waiting to make investing with him more special,' says Fenwick. 'At first he always said no. When he finally did agree to manage someone's money, people thought they were joining an elite group. They did it [invested with Madoff], I think, to show off. It was a brilliant strategy.'

Among those whom Madoff put on hold was the wealthy Latsis family. One day in 2007 Julia Fenwick accompanied Madoff to view a potential new office on Curzon Street. She mentioned that the building was owned by the Latsis Group. 'Oh,' said Madoff. 'I've just started to invest their money. He [the late Greek tycoon John Latsis] has been wanting to join for years but I only agreed now.' Rather than rent new offices, Madoff extended the lease at 12 Berkeley Street, also owned by the Latsis Group. Its £9 billion fortune is overseen by Latsis's son, the LSE-trained economist Dr Spiros Latsis. Its private Swiss bank, EFG International, reports its clients lost about \$130 million to Madoff.

It was not business that spurred Madoff to keep an expensive London office, says Julia,





Julia Fenwick's previously unseen photo of Madoff with a fortune teller at a party for his London office in Mirabelle restaurant, Christmas 2003



Madoff's friend Gary Klesch, a London-based American businessman

but 'prestige and status'. His office had to be in Mayfair. He did not care how much it cost. He honed an illusion of respectability and power. It was key for him to say: 'I have an office in London.' Prestige and status also governed his mode of arrival and his choice of hotel. He flew Concorde, and later NetJets, and later still on his private jet. Bernie and his wife Ruth always stayed in the famously expensive Lanesborough Hotel, more often than not in a regular room as long as it overlooked the Memorial Arch of Hyde Park Corner and the gardens of Buckingham Palace. So dependable were their visits that they left behind suitcases of clothes – in fact,



Ruth Madoff in New York, April 2009

BERNIE AND RUTH HATE A GREASY SPOON NEAR CURZON STREET

a trunk of his clothes is still believed to be there. On the first evening of a visit, Bernie and Ruth often dined with Steven Raven, the septuagenarian head of the London office, and Gary Klesch, an American businessman who has been called 'the king of European distressed debt investing' or 'vulture funds'. He runs Klesch & Company from Wigmore Street. Madoff would often see 62-year-old Klesch again in the boardroom at 12 Berkeley Street. Madoff did not meet anyone from outside the office. No one.

The Madoffs' favourite restaurant was the private members' club George on Mount Street; they also went to Como Lario, a low-key trattoria near Sloane Square. Although Madoff was a member of Annabel's, he rarely went there – even though it was frequented by his investors, such as Victoria de Rothschild, the former wife of Sir Evelyn de Rothschild, and hedgefund manager Arki Busson, who eventually lost \$230 million thanks to Madoff.

Most mornings, Bernie and Ruth ate at a greasy spoon near Curzon Street where they had a traditional English fry-up breakfast. Madoff never drank alcohol, only diet Coke. 'He had only two vices,' says Julia Fenwick. 'Sausages for breakfast and Davidoff cigars throughout the day.' For lunch he always ate the same takeaway sandwich of smoked salmon with cream cheese and cucumber on brown bread from

La Strada on Lansdowne Row. After breakfast, Ruth visited museums, antique shops and boutiques such as Hermès or Loro Piana, often in the company of Susan Blumenfeld, whom Bernie encouraged to help choose his wife's clothes, antiques and jewellery. Julia Fenwick says Ruth, a petite blonde, spent a huge amount on shopping: 'She is very materialistic and not remotely religious' – unlike Bernie's younger brother Peter and his wife, who are practising Jews.

Back in the office, after first examining the interiors, Madoff usually locked himself in the boardroom with his telephones. He was interrupted only by his tailors: either Kilgour from Savile Row or Brioni, who would fly in from Italy to take his measurements. Ruth often sat quietly beside him at the Welsh slate table knitting bootees for her grandchildren. In fact, Ruth rarely let Bernie out of her sight. She knew her husband 'liked to flirt but was unlikely to have affairs', says Julia Fenwick. She interviewed most of the women who applied for a job at the New York HQ; the joke in the office was that if they were too good-looking, she hired lesbians instead. Sweet and engaging, Ruth speaks with the same Queens, New York accent as her husband, but more slowly: 'She was more intelligent than Bernie, brighter, very smart', says Julia.

After work Madoff would walk over to the Burlington Arcade to visit George Somlo, London's leading specialist in antique and vintage timepieces. Over the years he bought scores of watches, usually a Rolex or a Patek Philippe, as well as different wedding rings to match, in platinum or gold. After Madoff's arrest, investigators discovered he planned to mail a dozen Cartier and diamond Tiffany watches to family, friends and staff.

In June each year, after their London visit, Bernie and Ruth would fly to Nice and then drive to Cap d'Antibes, where one of their three boats, the Italian 27-metre cruiser *Bull*, was berthed. They lived in their three-bedroom apartment on the top floor of a classic, Provençal-style villa within a gated development called Château des Pins and at the Hôtel du Cap in Antibes. The apartment was remarkably modest for a New Yorker who pretended to invest billions but, like all of Madoff's properties, it was filled with sculptures and pictures of bulls. One of Madoff's favourite restaurants, Les Vieux Murs, is in the old town of Antibes, where Picasso and Graham Greene once lived.

During the Madoffs' three-week stay on the Côte d'Azur they entertained relations, the Blumenfelds and Gary Klesch. As in London, they saw no one else. French neighbours remarked how Bernie would greet them with a hearty 'bonjour' as he held the hands

of his young grandchildren. Occasionally, the Madoffs would fly to Paris and stay at Plaza Athénée on Avenue Montaigne. They also went to Zermatt for a week with a party of 13, as well as to Skibo Castle in Scotland.

Despite Madoff's public face of bonhomie and benevolence, some close associates detected a whiff of fear about him. One morning William Nasi, an elderly family friend whom Madoff employed as his 'personal messenger', came into the office earlier than usual. He overheard Madoff swearing and booming at his brother Peter: 'Until your name is on that door, you keep your f***** mouth shut. You only own one per cent of the business, so keep quiet.' Nasi recalls: 'I was so embarrassed I just kind of backed up, got in the elevator and went downstairs to cool off.' Others say that Madoff's two sons, Mark and Andrew, were 'scared of him' and 'would have done whatever he said'.

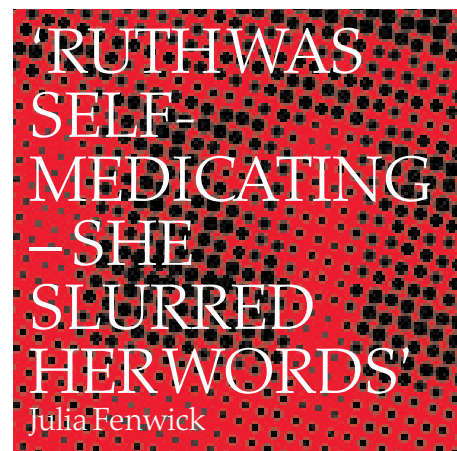
Bernard Lawrence Madoff was born on 29 April 1938, the eldest child of Ralph Z and Sylvia Muntner Madoff, both the children of Jewish immigrants from respectively Poland and the former Austro-Hungarian empire. One of Madoff's grandmothers had lived in London. The family lived in the quiet suburb of Laurelton in Queens. Classmates recall Bernie was an 'outgoing, skinny kid', a bit of a clown and unremarkable in his studies. Peter once told Julia Fenwick that the way he 'used to wind Bernie up as a kid was to mix up his sock drawer'. In his early teens Bernie met Ruth Alpern, a pretty, vivacious, clever girl a couple of years younger than him, and they became inseparable.

After graduating from Far Rockaway High School in Queens, Bernie attended university in Alabama – at a time when the Ku Klux Klan tormented Jews and Roman Catholics as well as African Americans. After a year he transferred to Hofstra University on Long Island as it was closer to home and to Ruth. He graduated with a degree in political science and then studied law, paying his way by working as a lifeguard and by repairing sprinkler systems. Ruth and Bernie married in late 1959. The newlyweds moved into a one-bedroom apartment in Bayside, where the tidy terraced houses are similar to those in the TV satire *Ugly Betty*. Within a year Bernie and Ruth opened Bernard L Madoff Investment Securities. Her office was next door to his. Until Madoff was imprisoned in March they had barely spent a day apart.

It was the sheer intense closeness of their marriage that leads most former employees to believe that Ruth Madoff knew precisely about her husband's scheme. She had set up the original company, oversaw the bank accounts and was business savvy. 'I absolutely believe she knew about the Ponzi scheme,' says Fenwick. Despite Bernie Madoff's calm

demeanour, his wife was not so good at hiding her emotions. In the final months, as clients of his investment advisory firm liquidated their accounts, Bernie struggled to find the money to pay them and the pressure intensified. As in all Ponzi scams, the fragile pyramid was about to collapse. In the spring of 2008, Fenwick was invited by Madoff to Cabo San Lucas, Mexico, for a golfing holiday to coincide with his 70th birthday. While she recalls Bernie singing Neil Diamond's 'Sweet Caroline' on the beach, Ruth 'was groggy, not in good form, and self-medicating. She slurred her words and had lost a lot of energy. It was the first time I had seen her like that.'

Six months later, as the global financial crisis worsened, Peter Madoff told colleagues over dinner in London: 'We knew about Lehman Brothers in advance because of our connections on Wall Street. But what we didn't see coming was Merrill Lynch being swallowed up by Bank of America. That was a shock.' Peter was the details man, the number cruncher. 'He was a bit of a geek, but a lovely guy,' says Julia. He ran the proprietary trading business, which was completely separate from Bernie's investment advisory scam. 'He was very



religious, kind... principled and proud,' Julia adds. 'It is hard to believe that he knew.'

Looking back, it is now clear that the US Securities and Exchange Commission (SEC), which regulates the American securities market and stock exchanges, could have closed down the Ponzi scheme. Last summer, Fenwick witnessed a rare glimpse of Madoff's nervousness regarding the regulators. She recalls how during the wedding reception of Peter Madoff's daughter Shana to Eric Swanson, a former SEC lawyer, Madoff pointed to guests who worked for the SEC. 'Look over there,' he said. 'That's the enemy.'

In London there were other signs that all was not well. Last October, Bernie requested that the London office transfer \$168 million into US Treasury bills. Steven Raven, chief

executive of Madoff's UK company and an eminence grise in the City, refused to do so. 'Why does it matter?' he asked Madoff. 'Bernie went crazy,' Julia says. Behind Raven's back Madoff persuaded Chris Dale, finance director, to sign off on the transfer of \$150 million. The Serious Fraud Office (SFO) is investigating at least two charges of international money laundering through London, as well as the role of several managers of so-called feeder funds who channelled money to Madoff. The London office 'played a significant role in the operation of Mr Madoff's scheme', says the SFO.

It was not until the final days that Bernie's façade began to crack. When talking on the phone, Fenwick noticed that her boss had become 'very secretive'. He was impatient, spoke very little and was much shorter on the phone. The small talk had disappeared. The week before Madoff's confession, she spoke to his personal secretary, Eleanor, in New York. 'How is Bernie coping?' she asked, referring to the credit crunch and banking crisis. 'He's really sad,' replied Eleanor. 'He feels very bad for people who have lost their money. He worries about other people.' But incredibly, on 8 December, only three days before he confessed to one of the world's biggest frauds to his own sons, Madoff was jovial at the company's annual holiday party. 'We're going to have a great year!' he told everyone.

At 11pm on Thursday 11 December, Julia was at home with her husband, asleep in bed, when Steven Raven rang: 'There's a big problem. Bernie's been arrested.' 'Are you joking?' replied Julia, who initially thought that Bernie had been arrested for speeding or some minor offence. 'The office is closed until further notice,' said Raven. Julia went into a head spin. 'I was almost sick,' she says. 'I was in disbelief.' On the other end of the phone Raven's voice was shaking. He could barely speak. Later that night, Raven called Peter at his home in Old Westbury, New York. The younger Madoff defiantly screamed down the phone at the London executive: 'It's business as usual!'

Julia, who could not sleep, went to the office in the middle of the night in an effort to make sense of the chaos. 'It speaks volumes,' she says, 'that Peter tried to rescue the business.' On the other hand, Madoff's sons Mark and Andrew, who each have apartments in Manhattan, 'ran for the hills. They disappeared.' Former staff say that the most revealing sign that the end was close lay not in any conversations but in a striking visual image: Bernie, his tie askew and a rare worried expression across his face, staring at his desk in the New York office. Across the table papers were scattered everywhere. Even Bernie knew the game was up. □