

Q&A

Exposing yet another player in the Bernie Madoff Ponzi scheme

By Tom Shean
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Bernard Madoff raised billions of dollars for his long-running Ponzi scheme from acquaintances in the New York City area and south Florida. Billions more poured in from an assortment of "feeder funds," including some at Fairfield Greenwich Group.

Soon after Madoff was arrested in December, journalist Vicky Ward began looking into Fairfield Greenwich, a New York investment advisory firm that channeled more than \$7 billion to Madoff. Much of this money came from overseas investors.

What drew her in, Ward told members of the Central Business District Association of Virginia Beach in a luncheon speech on Wednesday, was the lavish lifestyle led by Fairfield Greenwich's founder, Walter M. Noel Jr., his wife and other family members in the wake of Madoff's arrest.

In a lengthy article published earlier this year in Vanity Fair magazine, Ward described how the firm and the family used their connections in Latin America and Europe to corral billions for Madoff. Fairfield Greenwich, meanwhile, collected hundreds of millions of dollars in management fees from its investors.

Madoff, architect of what's considered the largest financial fraud ever, pleaded guilty in March to

federal charges of securities fraud, money laundering and perjury. In June, he was sentenced to 150 years in prison.

The Madoff firm held an estimated \$65 billion, including several billion in phony profits that he added to clients' accounts over the years.

At Fairfield Greenwich, the management and owners remain free but under siege. As part of a settlement with Massachusetts regulators, the firm agreed in September to pay \$8 million to reimburse Madoff victims in that state. Fairfield Greenwich neither admitted nor denied allegations that it failed to conduct due diligence of Madoff's firm and misrepresented its lack of due diligence to clients.

In addition, the court-appointed trustee overseeing the remnants of the Madoff firm is suing to recover \$3.2 billion from three Fairfield Greenwich funds that made withdrawals from their Madoff accounts.

Ward, a contributing editor at Vanity Fair, elaborated on her investigation after the speech.

Q. How did you become interested in a financial topic like the Madoff scandal?

A. I've written stories about Morgan Stanley; Carly Fiorina, the former chairman and CEO of Hewlett-Packard; and Bruce Wasserstein, the late chairman and CEO of investment bank Lazard Ltd. Steve Schwarzman, head

of the Blackstone Group, once told me that the key to understanding business was to understand the people. That's what makes business fascinating, the people. A key to doing business is to be a good judge of people.

Q. What was it about Fairfield Greenwich that caught your attention?

A. I had heard grumblings around New York late last year that the Noels kept showing up at holiday parties. People in New York were very upset about that. They couldn't believe that the couple would get dressed and go out as if nothing was wrong. People had been so badly hurt from dealing with Bernie Madoff. That's when I talked to Graydon Carter, Vanity Fair's editor, and he said, "We need to do that story."

Q. Did Fairfield Greenwich clients whose funds were invested with Madoff ever question the financial results that he claimed to be delivering?

A. Some clients did ask to meet Bernie Madoff, but they were told "No." They were always given to Jeffrey Tucker, a Fairfield Greenwich principal who gave them this mumbo jumbo about a split-strike conversion strategy. Anyone who said, "Look, I'm not comfortable unless I meet and talk with Madoff myself" generally was told, "You can take your money and find another fund."

Q. What is the status of funds that the firm invested elsewhere?

A. There was another half of Fairfield Greenwich funds. Those have been taken over by new management. The Noels are going to be dealing with lawyers for a long time to come.

Q. What surprised you the most during your investigation of Fairfield Greenwich?

A. It seems to me there was a staggering lack of due diligence and that they were blinded by greed. Given they were making so much money thanks to one man, they were willing to leave him alone. It seems at the very least to have been gross negligence.

Q. Are there any lessons to be learned from what happened at Fairfield Greenwich?

A. One is how careful you have to be as an investor. You have to understand what you're investing in and why the managers are getting the fees that they do.

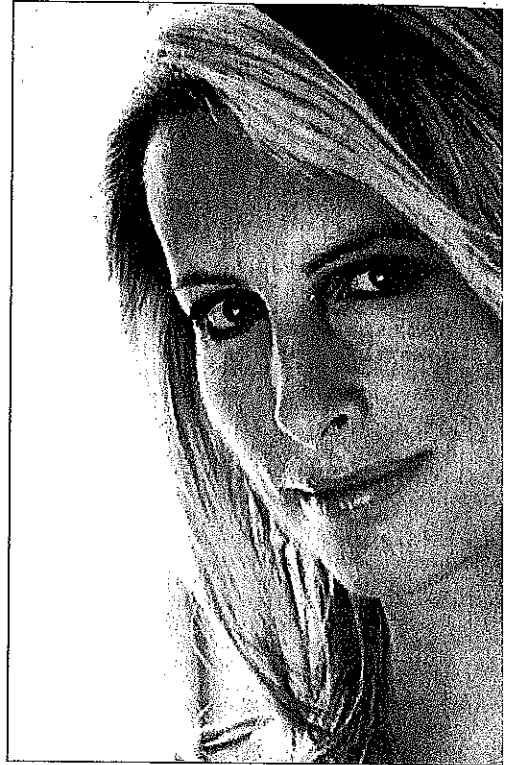
Q. What are you working on now?

A. I'm nearly finished writing a book about Lehman Brothers and five men who rebuilt the company after it imploded in 1984.

The title is "The Devil's Casino: Friendship, Betrayal and the High Stakes Games Played Inside Lehman Brothers."

It is due to be published in April.

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Vicky Ward on the principals of Fairfield Greenwich, a New York investment advisory firm that channeled more than \$7 billion to Madoff.