



Madoff's CFO Frank DiPascali pleads guilty in Ponzi scheme

By Kevin McCoy and Kathy Chu, USA TODAY



By Christine Cornell, AFP/Getty Images

This court drawing shows Frank DiPascali, center, Bernard Madoff's right-hand man, taking the oath before being charged Tuesday at the New York federal courthouse. DiPascali pleaded guilty to conspiracy and fraud and pledged to cooperate with authorities.

NEW YORK — Ponzi scheme architect Bernard Madoff's former top financial aide, Frank DiPascali, pleaded guilty to conspiracy, securities fraud and eight other charges Tuesday as part of a cooperation deal in which he's expected to help prosecutors target other suspects in the massive scam.

DiPascali, 52, who rose from a teenage assistant to Madoff to become the chief financial officer of the now disgraced financier's business, waived indictment by a federal grand jury and admitted he spent decades helping the former money manager falsify purported trading records for thousands of victimized investors.

The admission, which came as DiPascali pleaded guilty to all 10 criminal counts in a packed courtroom hearing before U.S. District Judge Richard Sullivan, was the first public confirmation that one of the largest financial crimes in history was a conspiracy that involved multiple players.

Surprising prosecution and defense lawyers, Sullivan ordered DiPascali, formerly the main Madoff business contact for many investors, jailed at least temporarily after rejecting a bail package recommended by both sides. The stunned defendant was taken from the courtroom in handcuffs.

DiPascali's admissions came as the Securities and Exchange Commission filed a parallel civil lawsuit that accused the Bridgewater, N.J., resident of helping Madoff cover up the decades-long fraud.

Dressed in a gray suit, and occasionally choking back tears, DiPascali told Sullivan he helped Madoff prepare "fictitious" records of stock trades that purportedly documented decades of eerily steady investment gains for thousands of celebrities, charities, financial funds and average investors who lost at least \$13 billion in the scam.

"I'm standing here to say that from the early 1990s until December 2008, I helped Bernie Madoff and other people carry out a fraud," DiPascali told Sullivan.

"I knew no trades were happening. I knew what I was doing was criminal. But I did it anyway," said DiPascali, who was charged in a criminal information with helping Madoff and others use

"historical" stock trading data to create falsified trading records that deceived investors and regulators.

The criminal and civil charges and DiPascali's courtroom admissions contradicted Madoff, who repeatedly claimed he was the only one involved in the decades-long fraud. The disgraced money manager is now serving a 150-year prison term.

Only one other person, former Madoff accountant David Friehling, has been criminally charged in the scheme to date.

DiPascali faces up to 125 years in prison, plus billions of dollars in forfeitures and restitution. But he could receive a recommendation of leniency based on the outcome of cooperation with prosecutors that defense attorney Marc Mukasey said began in January.

Neither Mukasey nor Assistant U.S. Attorney Marc Litt named any potential suspects DiPascali might ultimately implicate. However, prosecutors for months have focused their investigation at least in part on Madoff's brother, Peter; wife, Ruth; sons, Mark and Andrew; plus a handful of the disgraced financier's former senior aides.

Signaling the cooperation agreement, prosecution and defense lawyers recommended that DiPascali be allowed to remain free on a \$2.5 million personal-recognition bond secured by equity in his sister's home and co-signed by three financially responsible individuals.

Litt argued that allowing DiPascali to remain free pending the tentative May 2010 sentencing date that Sullivan set during Tuesday's hearing would make it easier for prosecutors to consult with him on an estimated 600 boxes of records and other evidence in the Madoff investigation. DiPascali's cooperation thus far was evidence that he would appear for all scheduled court appearances, Litt said.

Mukasey added that DiPascali has four children, supports a 77-year-old mother and "is not a person who would ever hurt his family" by failing to live up to the terms of the proposed bail agreement. Disagreeing, Sullivan said the proposed bail package "is completely dwarfed by the amount of restitution and forfeiture in this case."

Judge's reservations

"I keep focusing on what he did for 30 years. I am frankly reluctant to put my trust in Mr. DiPascali," said Sullivan, ordering the defendant jailed at least until prosecutors and defense lawyers submit a bail proposal with tougher provisions. "I cannot find clear and convincing evidence that Mr. DiPascali does not pose a risk of flight."

Miriam Siegman, a 65-year-old victim who said she's penniless and facing homelessness, told Sullivan she objected to the plea-bargain deal because it would eliminate a trial that would give victims "information and knowledge" about the scam.

But Burt Ross, a former Fort Lee, N.J., mayor who lost \$5 million to Madoff, said in an interview before the hearing that he would not object to the plea-bargain deal and leniency if DiPascali implicates others involved in the scheme.

"Here's a guy who knows where all the bodies are buried," Ross said of DiPascali. "I think you'll now see evidence accumulate against a lot of people who might not be charged without his cooperation."

Robert Ray, a former federal prosecutor who's now a criminal defense lawyer at Pryor Cashman in Manhattan, called DiPascali "a critical figure" who was "clearly in a position to help prosecutors." But, noting that the charges against DiPascali include lying to the SEC and tax evasion, Ray said the suspect's credibility could be challenged by attorneys for anyone charged based on his cooperation. "It's in some sense a pact with the devil, but it may well be a necessary pact with the devil in order to prosecute other people, because you really can't do it any other way," said Ray.

Trusted aide

DiPascali has long been of particular interest to investigators because he worked for Madoff since graduating from high school during the 1970s and eventually rose to become arguably the financier's most trusted assistant.

He had an active role in calming the concerns of the Fairfield Greenwich Group, a corporate client that invested \$7.2 billion with Madoff, according to a complaint filed last spring by the office of Massachusetts Secretary of State William Galvin.

DiPascali took part in due diligence sessions as early as 2001 at which Fairfield executives asked questions about Madoff's trading records, investment protocol and other issues, the complaint shows.

He was also portrayed in the complaint as having alerted Fairfield about some of Madoff's purported moves shifting investors' funds into and out of the stock market as prevailing financial conditions changed.

In an April USA TODAY interview, Galvin said Fairfield executives told his investigators DiPascali appeared to have a key role in what was quietly billed among investors as Madoff's secret trading system.

Madoff, however, didn't make any trades for investors. During his March 12 guilty plea, he admitted he used money from new investment clients to pay earlier ones — the hallmark of a basic Ponzi scheme.

DiPascali, who told the judge he had believed Madoff had assets to compensate clients if anything went wrong, apologized to the thousands of investors whose financial futures were destroyed.

"I know my apology means almost nothing," said DiPascali, "but I hope my actions will bring some measure of comfort to those who have been harmed."

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