



Madoff Ponzi Scheme.

Top Securities Law Firm Can Help You Now. Instant Case Review.
Yourlawyer.com/Madoff-Fraud



Ads by Google

TOP NEWS

- Business
- Crime
- Diplomacy
- Domestic Policy
- Economic Crisis
- Economic Issues
- Economic Policy
- Financial Markets
- Financial Rescue Plans
- International Relations
- Islam
- Islamism
- Media
- Middle Eastern Politics
- National Economy
- Political Policy
- Politics
- Public Finance
- Recessions and Depressions
- U.S. Congressional News
- U.S. Government
- U.S. National Economy
- U.S. Politics
- War and Conflict
- World Politics

WORLD NEWS

POLITICS

BUSINESS

SCIENCE

ENTERTAINMENT

SPORTS

TOP NEWS

[Share](#) [Blog](#)

[Subscribe](#) [Print](#) [Email](#) [Bookmark](#)

Merkin charged with civil fraud in Madoff case

By Martha Graybow

Posted 2009/04/06 at 3:19 pm EDT

NEW YORK, Apr. 6, 2009 (Reuters) — New York's attorney general brought civil fraud charges against hedge fund manager **Ezra Merkin** on Monday, saying he secretly steered \$2.4 billion in client money into **Bernard Madoff's** Ponzi fraud.

Merkin, a well-known investor and former chairman of the GMAC LLC finance company, was not accused of knowing about Madoff's scheme. But New York Attorney General Andrew Cuomo said he ignored glaring red flags about Madoff's investments in an effort to reap \$470 million in fees from clients, including many charities and nonprofit groups.

Merkin and his **Gabriel Capital Corp** money management firm "betrayed hundreds of investors who entrusted him with their savings," the lawsuit filed in New York State Supreme Court said.

Merkin's lawyer, **Andrew Levander**, called the lawsuit "hasty and ill-conceived" and said his client would fight it.

"From the outset of the Attorney General's investigation, Mr. Merkin, **Gabriel Capital Corporation** and the funds they manage have provided their full cooperation, answering all questions and producing hundreds of thousands of documents," Levander said. "The evidence shows that this lawsuit is without merit."

Levander said Merkin performed extensive due diligence on Madoff, but he too was misled by Madoff's fraud just like other victims of the jailed swindler.

The charges are the latest trouble for so-called "feeder funds" that funneled client money to Madoff to manage. **Fairfield Greenwich Group**, which channeled billions of dollars to Madoff, was sued last week by **Massachusetts'** top securities regulator for misleading customers.

The lawsuit against Merkin contends that at least two of his trusted colleagues repeatedly told him Madoff's returns were too good to be true -- one warning that Madoff's money management business could be a Ponzi scheme, Cuomo said.

Madoff pleaded guilty last month to orchestrating **Wall Street's** biggest-ever fraud, a Ponzi scheme that involved as much as \$65 billion in funds over 20 years. A Ponzi scheme pays early investors with money invested by later clients.

The trustee liquidating Madoff's brokerage says there is no evidence the former Nasdaq chairman bought any securities for his investment clients for at least 13 years.

WEB OF CONNECTIONS



Hedge fund operator Ezra Merkin in a file photo. REUTERS/Eliana Aponte/File

Related Topics

- [Business](#)
- [Corporate Crime](#)
- [Corporate Ethics](#)
- [Corporate Fraud](#)
- [Financial Markets](#)

Ads by Google

[Advertise here](#)

Fraud Attorney

Charged With Fraud or Embezzlement? Call Our Office For A Consultation.
[BarryDMaxwell.com](#)

The Ford Story

Visit The Ford Story to Learn how we are Doing Business Differently.
[TheFordStory.com](#)

Satyam Investors

Securities fraud alleged. Submit your claim.
[www.LieffCabraserSecurities.com](#)

Madoff Fraud

Access to Hundreds of Free Articles at BusinessWeek Exchange. Read Now!
[bx.businessweek.com](#)

NEWS FROM THE NET

powered by **Inform**

Securities Fraud Lawyer

Lost Investments in Bonds, Stocks, Mutual Funds?
1-866-372-8311
[www.sonnerez.com](#)

Securities Fraud Lawyers

Our experience on the inside helps victims of investment fraud.
[www.Securities-Lawyers.net](#)

Joseph J. Pappacoda, Esq.

FL Qui Tam Attorney Win Results Former FL Prosecutor, Special Agent
[usfraudcases.com](#)



Ads by Google

Related Articles

Merkin Sued by Cuomo for Placing \$2.4 Billion of Client Funds With Madoff

Apr. 6, 2009 (Bloomberg) — New York Attorney General Andrew Cuomo sued J. Ezra Merkin, the former GMAC Financial Services chairman, claiming the financier invested his ...

Madoff's yacht seized on French Riviera

Apr. 6, 2009 (Pittsburgh Post-Gazette) — PARIS -- Another of Bernard Madoff's trophy assets has been seized, this time in the south of France... French authorities on the Cote d'Azur have ...

NY attorney general files civil fraud charge against hedge fund manager Merkin in Madoff fraud

Apr. 6, 2009 (LA Times) — New York's attorney general has filed civil fraud charges against a hedge fund manager who funneled billions of dollars in client money to Wall ...

N.Y.'s Cuomo charges J. Ezra Merkin with civil fraud: WSJ

Apr. 6, 2009 (MarketWatch) — New York Attorney General Andrew Cuomo has charged financier J. Ezra Merkin with civil fraud related to Bernard Madoff's \$50 billion Ponzi scheme ...

My Money or Acrimoney*

Apr. 6, 2009 (Huffington Post) — This economic crisis is aging like milk. Auto deadlines, Barney and the bailouts, CDOs and other toxic assets. There are problems everywhere... ..

Related Audio

Taking 'Bull' U.S. Seizes Madoff's Yacht In Florida

Apr. 1, 2009 (NPR Business Audio)

Related Blogs

U.S. Marshals Seize Madoff's Yacht in Florida

Apr. 1, 2009 (DealBook)

Big Payouts Were Planned for Fairfield Executives

Apr. 1, 2009 (DealBook)

Cuomo described Merkin, who ran three hedge funds known as Ascot, Gabriel and Ariel, as a Madoff middleman who used his social and charitable connections to raise huge amounts of money from investors, while misleading them about who was actually managing their money.

While Merkin held himself out as a skilled investor, he was instead a "master marketer" who turned almost all of his clients' money over to third-party money managers, including Madoff, to oversee, the complaint said.

Cuomo also said that Merkin should have picked up on multiple warning signs about Madoff, including repeated advice from a close associate that the consistency of Madoff's returns was suspicious and his business was too secretive.

The lawsuit also says Merkin was aware that Madoff's books were audited by a small storefront accounting firm in suburban New York City, [Friebling & Horowitz](#). An accountant at that firm, [David Friebling](#), was charged last month with fraud related to his work for Madoff, though he was not accused of knowing that Madoff operated a Ponzi scheme.

Merkin, a graduate of [Harvard Law School](#), began running his own investment funds in 1989. He met Madoff in the late 1980s or 1990, according to Cuomo's complaint.

The lawsuit seeks payment of damages and disgorgement of fees that Merkin collected from clients.

Merkin resigned as chairman of GMAC, a [General Motors Corp](#) affiliate after the Madoff scandal hit, to allow the finance company to be eligible to receive U.S. taxpayer funds. Merkin had become a lightning rod for criticism at the company following the Madoff case.

Merkin faces numerous lawsuits brought by his investors, including one filed on Monday by real estate investor [Mort Zuckerman](#) over about \$40 million in losses sustained by a charitable trust Zuckerman runs.

[New York University](#) and other investors also have sued Merkin, saying he put their money with Madoff without their consent.

[Jeff Marwil](#), a lawyer with law firm [Proskauer Rose](#) who represents investors in several Merkin funds, said the Cuomo lawsuit ultimately could help his clients.

"If it's an effort to investigate Merkin and protect his assets for the benefit of potential victims, I think it's a positive development," he said.

(Additional reporting by Emily Chasan; Editing by Brian Moss)



Copyright Reuters 2008. See [Restrictions](#) for more details.

Related Stories



Massachusetts regulator sues Madoff feeder fund

BOSTON, Apr. 1, 2009 (Reuters) — Massachusetts' securities regulators sued Fairfield Greenwich Group, a major "feeder

fund" for Bernard Madoff's Ponzi scheme, accusing the hedge fund of lying to investors and not exercising enough diligence over investments that were worth billions of dollars.



Massachusetts regulator sues Madoff feeder fund

BOSTON, Apr. 1, 2009 (Reuters) — Massachusetts' top securities regulator sued Fairfield Greenwich Group, which funneled billions of

dollars into Bernard Madoff's Ponzi scheme, accusing the hedge fund firm of misleading investors.



U.S. charges Madoff accountant with fraud

NEW YORK, Mar. 18, 2009 (Reuters) — An accountant for

confessed swindler Bernard Madoff's firm was charged with fraud on Wednesday after authorities said he pretended to audit the company that cheated thousands in Wall Street's biggest investment scheme.



U.S. turns up heat on Madoff clan, wants assets

NEW YORK, Mar. 17, 2009 (Reuters) — U.S. prosecutors

raised the pressure on jailed swindler Bernard

[Mass. Sues Madoff Feeder-Fund Fairfield Greenwich, Alleging Fraud](#)
Apr. 1, 2009
(WSJ.com: Law Blog)

[Fairfield Greenwich Group's Amazing Due Diligence Practices](#)
Apr. 1, 2009
(Clusterstock)

[Highlights from the Fairfield Suit](#)
Apr. 1, 2009
(DealBook)

INSIDE GUANTANAMO

ENCORE TONIGHT AT 8P

CLICK TO GO INSIDE GUANTANAMO

NATIONAL GEOGRAPHIC CHANNEL

Ads by Google

[Advertise here](#)

On line trading broker

"Best Online Broker" 4 years in a row! Barron's 2003-2006.
[optionsXpress.com](#)

Hedge Fund Administration

Offshore Fund Administrators, Providing Customized Solutions.
[www.folioadmin.com](#)

Hedge Fund Accounting

Trusted, Professional Hedge Fund Accounting Services
[www.FundAssociates.com](#)

Decosimo CPAs

Audit and tax solutions for hedge funds and investment partnerships
[www.decosimo.com](#)

NewsDaily is a service of ScienceDaily. For more information, see About This Site, Privacy Policy, and Terms of Use
Copyright © 2009 ScienceDaily, or other providers where indicated. All rights reserved. Contact editor@sciencedaily.com

Madoff's family on Tuesday, signaling their intent to ask for \$31.5 million from loans to his sons and \$2.6 million worth of his wife's jewelry.

Copyright Reuters 2008. See [Restrictions](#) for more details.

Articles
Search NewsDaily

Videos

Podcasts

Blog Posts

Number of stories in archives: 2,855

Top News

World News

Politics

Business

Science

Entertainment

Sports

Search

Find with keyword(s):

Search

Enter a keyword or phrase to find the latest news stories, plus related articles, videos, blog posts, and podcasts.