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Madoff's money ended up in Israel, off-shore banks, and Democratic coffers

By Wayne Madsen
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([WMR](#))—WMR has learned from the executor of the estate of a woman defrauded by jailed New York securities dealer Bernard Madoff that much of Madoff's money never disappeared as alleged by some but was invested in businesses in Israel, transferred to offshore bank accounts, and pumped in small amounts to the political campaigns of Democratic women candidates, particularly U.S. Senate candidates, endorsed by the group EMILY's List.

Madoff pleaded guilty to a long list of federal charges in 2009 and he was sentenced to 150 years in prison.

By providing Senate candidates with laundered cash, Madoff and his associates could ensure that legislation, such as the 1999 repeal of the Glass-Steagall Act of 1933, passed the Senate. Glass-Steagall provided strict controls over banks' activities in the securities industry and established firewalls between banks and securities firms. Recipients of Madoff campaign cash were also assured that U.S. judges favorable to Madoff's interests were appointed to the bench in the Second Circuit in New York, the court that has primary jurisdiction over Wall Street activities.

Madoff money also ended up in the coffers of Republican New York Senator Alfonse d'Amato, who helped steer prospective federal judges favorable to Madoff and his cronies on to federal benches in New York. D'Amato's

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defeat by Democrat Chuck Schumer in 1998 was an even better opportunity for Madoff to influence the selection of federal judges and ensure the repeal of Glass-Steagall. Madoff and his associates also ensured that their friends were appointed as surrogate court judges. The judges appointed as guardian ad litem certain attorneys who would then direct the wealth of elderly incapacitated millionaires into Madoff's investment schemes. Judges also made favorable rulings that saw intestate funds directed to Madoff-connected attorneys.

The coziness between Madoff and some federal judges was reported by WMR on January 12, 2009: "The U.S. District court for the Southern District of New York seems intent on keeping ex-NASDAQ chairman and \$50 billion Ponzi scheme swindler Bernard Madoff confined to his Upper East Side Manhattan luxury home and not in a federal lock-up. Two judges in the New York federal circuit, Theodore Katz and Ronald Ellis, have ruled that Madoff should stay in his town house and out of prison.

Attorney General Michael Mukasey, whose son, Marc Mukasey of the law firm Bracewell & Giuliani, represents Frank DiPascali, one of the Madoff cronies. Michael Mukasey once served on the federal bench with Katz and Ellis in New York. Katz was appointed by George H. W. Bush while Ellis, an African American, was appointed by Clinton."

WMR also reported that reported: "Madoff is suspected of transferring much of his ill-gotten gain to Israeli banks, including one, Bank Leumi, that Madoff associate J. Ezra Merkin bought from the Israeli government when Ariel Sharon was prime minister and current Prime Minister Ehud Olmert was Finance Minister."

On September 9, 2009, WMR reported: "Madoff's close financial colleague, J. Ezra Merkin, has close ties to the IDB [Israel Discount Bank]. His father, Hermann, was a director of the bank in New York. Ezra Merkin, in addition to serving as chairman of GMAC (which received \$6 billion in federal TARP bailout money), operated feeder contrivances for Madoff, including Ariel Fund in the Cayman Islands, Gabriel Capital LP, Ascot Partners, and Gotham Capital. In 2006, Merkin traveled to Jerusalem to announce that his and Stephen Feinberg's Cerberus-Gabriel hedge fund was buying the Israeli government's Bank Leumi for \$500 million. At the ceremony was Israeli Prime Minister Ariel Sharon and his finance minister, Ehud Olmert, the latter

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recently indicted for fraud involving pay-offs from New York businessman Morris Talansky. Those investors who were defrauded by [Texas investment banker Allen] Stanford and Madoff are looking at entities that may have been purchased with funds skimmed from their investments, including Bank Leumi."

More recent information received by WMR from lawyers representing defrauded Madoff clients points to Israeli condominiums, co-operatives, and pharmacies being the ultimate recipients of investment money from Madoff's coffers.

The law firm that helped steer Madoff funds into offshore accounts, according to our sources, was the New York white shoe law firm of Hughes, Hubbard & Reed (HH&R), which once counted former U.S. Supreme Court Chief Justice Charles Evans Hughes among its partners. Hughes' son, Charles Evans Hughes, Jr., also a partner in the law firm, became Solicitor General of the United States. Ironically, HH&R was retained by the U.S. Department of the Treasury in 2008 to assist in the financial bailout of Wall Street.

Madoff's contributions to EMILY's List candidates were kept to the minimum \$2,400 single contributions but were made by a number of Madoff family members and business associates. Some fourteen women senators owe their Senate seats, in part, to Madoff's largesse and their voting records supported relaxation of regulatory controls over Wall Street. Recipients, all Democrats, include California's Dianne Feinstein and Barbara Boxer, Louisiana's Mary Landrieu, Maryland's Barbara Mikulski, Minnesota's Amy Klobuchar, Michigan's Debbie Stabenow, Missouri's Claire McCaskill, New Hampshire's Jeanne Shaheen, New York's Kirsten Gillibrand, North Carolina's Kay Hagen, and Washington's Patty Murray and Maria Cantwell. Other major recipients of Madoff cash included former senators Hillary Clinton of New York, Carol Moseley-Braun of Illinois, and Jean Carnahan of Missouri. In the 2008 Democratic presidential primary, EMILY's List endorsed Clinton over Barack Obama, earning the group long-term political repercussions from the Obama administration.

WMR's sources also report that one long-time associate of Madoff and his family was New York Mayor Michael Bloomberg. In fact, we are told, the list of Madoff victims has been purposely kept secret in order to protect the identities of Madoff's feeder fund principals and business associates, many of whom became friendly with the now-

disgraced securities dealer through their membership in Madoff's Fifth Avenue Synagogue as well as another synagogue that counted a number of Foley Square judges among its members, the Bialystok Synagogue on the Lower East Side.

WMR has been told the recent arrest of William Rapfogel, the former head of the Metropolitan Council on Jewish Poverty, is an outgrowth of the Madoff scandal. Rapfogel is charged with stealing \$5 million from the Jewish charity. Rapfogel's wife, Judy, serves as chief of staff to New York Assembly Speaker Sheldon Silver and Rapfogel and Silver are good friends. Silver has ensured that Rapfogel's charity has received millions of dollars in state outlays for public services. Bernard Madoff had a close connection to Rapfogel and Sheldon Silver through his younger brother Peter Madoff, his firm's compliance officer who is now serving a 10-year sentence for fraud. According to our sources, Peter Madoff, Sheldon Silver, and Rapfogel were all good friends through their association with the Bialystok Synagogue.

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