



*United States Attorney
Southern District of New York*

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**MANHATTAN U.S. ATTORNEY CHARGES TWO FORMER COMPUTER PROGRAMMERS
FOR BERNARD L. MADOFF INVESTMENT SECURITIES, LLC
WITH CONSPIRACY AND FALSIFYING BOOKS AND RECORDS**

PREET BHARARA, the United States Attorney for the Southern District of New York, JOSEPH M. DEMAREST, JR., the Assistant Director-in-Charge of the New York Field Office of the Federal Bureau of Investigation ("FBI"), ALAN D. LEBOWITZ, the Deputy Assistant Secretary of the United States Department of Labor, Employee Benefits Security Administration ("DOL-EBSA"), and PATRICIA J. HAYNES, the Special Agent-in-Charge of the New York Field Office of the Internal Revenue Service ("IRS"), announced that JEROME O'HARA and GEORGE PEREZ -- former computer programmers for Bernard L. Madoff Investment Securities, LLC ("BLMIS") -- were arrested this morning at their residences by agents of the FBI. O'HARA and PEREZ are charged in a criminal Complaint with conspiracy, falsifying books and records of a broker-dealer, and falsifying books and records of an investment adviser.

As alleged in the Complaint unsealed today in Manhattan federal court, as well as statements made in the course of relevant court proceedings:

For decades, BERNARD L. MADOFF ran an elaborate Ponzi scheme through BLMIS, purported to be an investment advisory business (the "IA business"), that defrauded thousands of clients of billions of dollars.

O'HARA and PEREZ were employed as computer programmers at BLMIS beginning in 1990 and 1991, respectively. They primarily were responsible for developing and maintaining computer programs that supported the operation of the BLMIS IA

business. Many of those programs were run on an IBM server known within BLMIS as "House 17."

As a broker-dealer and investment adviser, BLMIS was required, under the federal securities laws and regulations, to keep certain books and records in the ordinary course of its business, including: trade blotters containing an itemized daily record of details about all of BLMIS's purchases and sales of securities; documents reflecting each order underlying the purchases and sales of securities and the times at which the orders were received and executed; and the name and address of the beneficial owner of each account held at BLMIS.

Between 2004 and 2008, BLMIS was subject to at least five reviews by the United States Securities and Exchange Commission ("SEC") and a European accounting firm which was conducting a review of BLMIS's operations on behalf of a European IA client. As part of a concerted effort overseen by MADOFF and his then employee, FRANK DIPASCALI, JR., to deceive both the SEC and the European accounting firm, O'HARA and PEREZ developed and maintained computer programs that generated numerous false and fraudulent books and records.

For example, O'HARA and PEREZ created special computer programs that, among other things:

- Created books and records for a small subset of BLMIS IA clients to help hide the scope and nature of the IA business;
- Changed the names of account holders to help explain why the SEC would not find IA client securities custodied at the Depository Trust Company ("DTC");
- Altered details about the number of shares, execution times, and transaction numbers for trades reported on BLMIS trade blotters, by employing random algorithms that produced false and random results;
- Changed the names of the parties from which BLMIS bought securities and to which BLMIS sold securities;
- Created false and fraudulent order entry and execution reports that included fictitious times at which orders for equities transactions

purportedly were placed;

- Generated false and fraudulent commission reports;
- Created fraudulent IA client account statements in a format different from those sent to clients;
- Produced fraudulent DTC monthly reports and other fraudulent DTC documents that were used to deceive representatives of the European accounting firm about where their client's securities were custodied;
- Generated fraudulent documents that could be used to make it appear that the IA business bought and sold securities on the London Stock Exchange in Europe; and
- Allowed DIPASCALI and other BLMIS employees to alter computer programs necessary to create additional false and fraudulent books and records to respond to the European accounting firm's requests for information in 2008.

O'HARA and PEREZ allegedly knew that the special programs they developed contained fraudulent information and that they were used in connection with the SEC and European accounting firm reviews. In April 2006, O'HARA and/or PEREZ attempted to delete 218 of 225 special programs from House 17 and also closed their own BLMIS IA accounts, withdrawing hundreds of thousands of dollars each.

In August or September 2006, O'HARA and PEREZ met with MADOFF and told him, in substance, that they would no longer lie for him. Handwritten notes found by the FBI in O'HARA's desk stated, among other things: "I won't lie any longer. Next time, I say 'ask Frank.'" After MADOFF directed DIPASCALI to pay O'HARA and PEREZ whatever they wanted in order to keep them happy, O'HARA and PEREZ each received pay increases of about 25 percent and net bonuses of approximately \$60,000.

O'HARA, 46, of Malverne, New York, and PEREZ, 43, of East Brunswick, New Jersey, each face a maximum sentence totaling 30 years in prison: five years on Count One (Conspiracy) and a maximum fine of \$250,000 or twice the gross gain or loss from the offense; 20 years on Count Two (Falsifying Books and Records of a Broker-Dealer) and a maximum fine of \$5 million or twice the gross gain or loss from the offense; and five years on count

Three (Falsifying Books and Records of an Investment Adviser), and a maximum fine of \$10,000 or twice the gross gain or loss from the offense.

The defendants will be presented later today before United States Magistrate Judge RONALD L. ELLIS in Manhattan federal court.

United States Attorney BHARARA said: "Jerome O'Hara and George Perez allegedly helped construct Bernie Madoff's house of cards. The computer codes and random algorithms they allegedly designed served to deceive investors and regulators and concealed Madoff's crimes. Today they have been charged for their roles in Madoff's epic fraud, and the investigation remains ongoing."

FBI Assistant Director-in-Charge DEMAREST stated: "O'Hara and Perez are charged with being instrumental in facilitating the Ponzi scheme that was the Bernard Madoff investment advisory business. Their subterfuge was designed to conceal the fraud from regulators and others, and when they told Madoff they would no longer lie for him, their continued complicity was bought for a price."

Mr. BHARARA praised the work of the FBI in this case, as well as DOL-EBSA and the IRS for their roles in the ongoing investigation. He also thanked the SEC for its assistance.

Assistant United States Attorneys MARC LITT, LISA A. BARONI, WILLIAM J. STELLMACH, BARBARA A. WARD and SHARON FRASE are in charge of the prosecution.

The charges and allegations contained in the Complaint are merely accusations and the defendants are presumed innocent unless and until proven guilty.

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