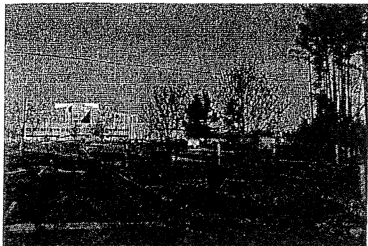


Prison? 'This Is as Good as It Gets.' His Whistleblower? 'Idiot.' Fed Stimulus? 'Greatest Manipulation' He's Ever Seen

By Sital Patel

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"I will be pleased to have you visit," read the email that landed in my inbox this spring. It was signed, "Bernard Madoff."

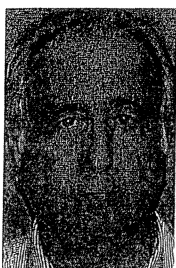


Entrance to the Butner Federal Correctional Complex in Butner, N.C. Bloomberg News

That exchange led to a two-hour meeting in May with the most notorious fraudster on Wall Street, during which Mr. Madoff pointed fingers at others and said his decadeslong Ponzi scheme wasn't really his fault. He was dismissive of regulators and whistleblowers, calling Harry Markopolos—a fraud investigator who warned the Securities and Exchange Commission about Mr. Madoff—an "idiot."

The federal prison in Butner, N.C., looks more like a small college campus than a penitentiary. The low buildings, surrounded by barbed-wire fences, are on sparse grounds set back from the road.

Once past security at the front desk, I was greeted by the prison's public-information officer, Angela Langley. We were buzzed through a set of three metal doors, the final coming after a walk down a long, cold corridor with neutral colors.



A booking mug shot of Bernard Madoff released in 2009. Reuters

The officer then directed me to a large room that Ms. Langley said was for "recreation" and which contained vending machines, books and magazines. Mr. Madoff entered and we shook hands.

The 75-year-old, dressed in beige polyester pants and shirt with a matching canvas belt, showed no signs of stress. He told the occasional joke and said he was lucky to be in Butner, as it had a reputation of being "very laid back" and is kind of like a "camp."

"This is as good as it gets," said Mr. Madoff. He explained that the Federal Bureau of Prisons "put you where you will survive."

As a reporter for MarketWatch, I initially contacted Mr. Madoff for a story about transparency on Wall Street and fairness for investors, and I reflected on the conversation recently as the five-year anniversary of his fraud's discovery approached.

But—discussions of transparency and fairness aside—it was clear from the outset that he wanted to justify the actions that resulted in his 150-year prison term. He said he felt "trapped" into the con by other people and always thought he would be able to get himself out of it.

His investors, he said, were "sophisticated people" and should have known better.

"People asked me all the time, how did I do it. And I refused to tell them, and they still invested," he said. "Things have to make sense to you. You should ask good questions."

He insisted banks knew about his fraud and were complicit in the scheme for years. At one point, when I didn't follow his logic about the banks, he snatched the notepad from my hand and wrote out what he meant.

From the Archives

In March 2009, The Wall Street Journal looked at the scope of Madoff's Ponzi scheme, and how he got away with it for so long, in a two-part documentary.

One factor that allowed the Ponzi scheme to continue for so many years, he said, was that he had a lot of credibility in the industry. He dropped names and talked a lot about the old days, when he was among Wall Street's trading elite, sitting on industry committees and hobnobbing with a financial-services Who's Who.

Mr. Madoff played down the possibility that regulators could have caught him earlier if they had listened to the warnings from Mr. Markopolos, saying he was "an idiot" who gave the SEC bad leads.

His fraud persisted for so long, he said, because auditors didn't verify his firm's assets at depository trusts.

"If they had checked me, I would have been found out," he said.

After he got caught, Mr. Madoff told me, he wrote apology letters to former SEC chairmen Arthur Levitt and Mary Schapiro.

But he also insisted that none of his employees, with the exception of Frank DiPascali Jr., knew that he was involved in a Ponzi scheme. They falsified records, but they didn't know about the fraud, said Mr. Madoff. Mr. DiPascali has pleaded guilty and his testimony is continuing this coming week in the trial of five other Madoff employees. All of them have pleaded not guilty to participating in the fraud.

Mr. Madoff recalled one of the first moments he sensed that economic conditions in 2008 could be fragile. He was at the Palm Beach Country Club in Florida, he said, and he had "a young black kid" for a caddy, and the caddy was buying and selling homes.

"He said he didn't need credit. He would buy homes and flip them for a profit," Mr. Madoff recalled. "I told my wife, 'This is the end.'"

The end of the housing boom would be a contributing factor in the collapse of his fraud, as many investors began seeking to cash out as the economy stalled and financial assets sank in value.

Five years after Bernard Madoff was arrested for masterminding the world's largest Ponzi scheme, what has happened to all the investors' money? WSJ's Jason Bellini has #TheShortAnswer. Image: Associated Press

At other times, he wanted to talk more broadly about the markets. He said that, if he had money, he wouldn't put it in the markets, because they are no longer about raising capital. Instead, he said, they simply shuffle money among investors. He also criticized the Federal Reserve's stimulus program as the "greatest manipulation" he had ever seen.

Mr. Madoff said inmates and prison guards constantly ask him for investment advice. Prisoners at one point wanted him to teach a course on how to invest, but he said the prison wouldn't allow it.

For most of our chat, he was in good spirits. He joked that his brother Peter's prison in South Carolina was a "camp" and much nicer than Butner. Peter Madoff, who was sentenced to 10 years in prison for his role in the fraud, refuses to speak to him.

No one in his immediate family talks to him, not even his wife, he said, adding that this was the worst consequence of his conviction.

His son Andrew Madoff refuses to talk to him and won't allow his wife to speak to him either, he told me. Mr. Madoff briefly brought up his other son, Mark, who committed suicide following the revelations of his father's Ponzi scheme. Mr. Madoff said he regretted that happened but showed little emotion.

The only family members who visit Madoff are the daughters of his wife's niece, who attend a college nearby, he said.

While prisoners can use the phone for 15 minutes at a time and have up to 300 minutes a month, Mr. Madoff says he doesn't use his allocation because he doesn't "have anyone to talk to."