Baker & Hostetler LLP
45 Rockefeller Plaza
New York, New York 10111
Telephone: (212) 589-4200
Facsimile: (212) 589-4201
David J. Sheehan
Ryan P. Farley
Mark A. Kornfeld
Keith R. Murphy
Marc Skapof
Thomas L. Long
Catherine E. Woltering

Attorneys for Irving H. Picard, Trustee
for the Substantively Consolidated SIPA Liquidation
of Bernard L. Madoff Investment Securities LLC
and Bernard L. Madoff

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

SECURITIES INVESTOR PROTECTION CORPORATION, Plaintiff-Applicant, v. BERNARD L. MADOFF INVESTMENT SECURITIES LLC, Defendant.	Adv. Pro. No. 08-01789 (BRL) SIPA Liquidation (Substantively Consolidated)
In re: BERNARD L. MADOFF, Debtor.	**COMPLAINT** REDACTED VERSION

IRVING H. PICARD, Trustee for the Liquidation of Bernard L. Madoff Investment Securities LLC, Plaintiff, v. CITIBANK, N.A., CITIBANK NORTH AMERICA, INC., AND CITIGROUP GLOBAL MARKETS LIMITED, Defendants.	Adv. Pro. No. 10-05345 (BRL)

Irving H. Picard (the "Trustee"), as trustee for the liquidation of Bernard L. Madoff Investment Securities LLC ("BLMIS"), and the substantively consolidated estate of Bernard L. Madoff, individually, under the Securities Investor Protection Act ("SIPA"), 15 U.S.C. §§ 78aaa *et seq.*, for this Complaint against Citibank, N.A. ("Citibank"), Citibank North America, Inc. ("CNAI") and Citigroup Global Markets Limited ("CGML") (Citibank, CNAI and CGML are collectively referred to herein as "Citi"), alleges the following:

I. NATURE OF THE ACTION

1. This adversary proceeding is part of the Trustee's continuing efforts to avoid transfers of and recover BLMIS Customer Property[1] that was lost as part of the massive Ponzi scheme perpetrated by Bernard L. Madoff ("Madoff") and others.

2. Specifically, this subsequent transferee action seeks to recover over $425 million from Citi, one of the world's most sophisticated, global financial institutions. The funds used to make these transfers to Citi originated from BLMIS. Citi received the transfers in connection with a loan made to a large fund holding a BLMIS account (a "Madoff Feeder Fund"), and in connection with a swap transaction between a Citi entity and a Swiss hedge fund linked to the

[1] SIPA § 78*lll*(4) defines "Customer Property" as cash and securities at any time received, acquired or held by or for the account of a debtor from or for the securities accounts of a customer, and the proceeds of any such property transferred by the debtor, including property unlawfully converted.

performance of another large Madoff Feeder Fund.

3. Armed with public and considerable non-public information about Madoff, Citi knew or should have known of possible fraud at Madoff's investment advisory business.

A. Leverage And The Madoff Ponzi Scheme

4. For nearly a decade before Madoff's arrest, at a time when many, if not most investment firms were employing leverage in making their investments or loaning money to funds to make securities investments, it was widely known to money managers, investment bankers, lenders, feeder funds, funds of funds, fund service providers, the hedge fund industry, and the financial community at large, that Madoff was opposed to the use of leverage in making investments. Madoff told his customers and prospective customers he did not personally use leverage, and claimed he would return their investments if they used leveraged products to invest directly in BLMIS.

5. Inasmuch as Madoff could have made huge personal gains by simply borrowing money himself and investing it using his "split strike conversion" strategy (the "SSC Strategy"), and could have increased his commissions considerably by permitting his customers to use leverage to increase the amount of funds they invested through BLMIS, Madoff's purported resistance to leverage was viewed for years by many industry participants as a glaring red flag that he and others were possibly engaged in fraudulent activity. Madoff's explanations for not wanting to utilize leverage personally made no logical sense and were seen by many sophisticated financial institutions as extremely suspicious. In truth, Madoff attempted to limit the use of leverage because he feared sophisticated institutional lenders like Citi would conduct proper due diligence into BLMIS's investment strategy and operations, thereby increasing the likelihood his fraud would be revealed.

6. The Madoff Feeder Funds wanted to use leverage to increase the amount of assets invested through Madoff, increasing their management and performance fees. They found eager leverage-provider partners in large financial institutions, like Citi, who created any number of lending and alternative investment products designed for the same purpose – to exploit Madoff's "success" for their own institutional gains. For fees paid to the financial institutions like Citi, an investor fund could make either a large direct investment into the investor's BLMIS account using money borrowed from the bank, or make a large "synthetic investment" into a Madoff Feeder Fund using a "loan" from the bank with very little upfront capital outlay in relation to the promised returns.

7. A synthetic investment simulates the return of an actual investment, but the return is actually created by using one or a combination of financial instruments, typically including derivatives such as option contracts or an equity index and debt securities, rather than a single conventional investment.

8. These synthetic investments led to a seemingly win-win-win situation for those seeking to capitalize on Madoff's returns: financial institutions providing the leverage earned significant structuring and financing fees; the Madoff Feeder Funds into which the financial institutions made investments to hedge their promised returns to swap counterparties, earned even more management and performance fees; and finally, investors in the structured products earned multiples on the returns they would have earned based on the amount of capital they actually had available to invest.

9. Such alternative investment products created by entities like Citi included total return swap transactions. These and other financial instruments promised an opportunity for lucrative future returns based on the performance of a particular Madoff Feeder Fund, which is

also referred to in a swap as a "reference fund." By investing in these structured products, an investor could multiply its returns through the leverage employed.

10. A swap is a bilateral financial transaction where one counterparty "swaps" the cash flows of a single asset or basket of assets in exchange for cash flows from the counterparty. As a result, a swap allows the party receiving the total return to gain exposure and the upside returns from a reference fund without actually having to own it. A key feature of a swap is that the parties do not transfer actual ownership of the reference assets. This feature allows for greater flexibility and reduced up-front capital outlay to execute a potentially valuable trade.

11. In connection with swaps, even though it is not required to do so, to hedge its exposure to pay the return to the other party, typically a financial institution may use cash collateral from the swap party and its own money to purchase the underlying asset – in this case, Madoff Feeder Fund shares. In exchange for promising to provide the total return based on the feeder fund shares, the financing institution often charges the swap counterparty a higher "borrowing" rate than if the bank had simply lent money to the investor.

12. Total return swaps can be highly leveraged, making them a favorite of hedge funds. The swap market is mostly institutional and over-the-counter ("OTC"), and is made up of sophisticated financial players who deal in high-risk, high-reward transactions, many of which are negotiated between the parties, rather than having a standardized format. Market participants often include, among others, investment banks, commercial banks, mutual funds, hedge funds, funds of funds, private equity funds and pension funds. Swaps are extremely popular with hedge funds because they receive the potential for significant upside gain with a reduced initial capital outlay.

13. Total return swaps were frequently used by foreign investors to avoid the IRS tax

rule for sourcing income. By investing in certain derivative products an investor may avoid the 30% withholding tax by avoiding the receipt of U.S. sourced income. These tax implications meant it was financially more advantageous for foreign investors to enter into a total return swap than to invest directly in the underlying asset. This savings was amplified when leveraged.

B. The Citi Loan

14. In 2005, a Citi entity[2] made a loan of $300 million to a Madoff Feeder Fund called Rye Select Broad Market Prime Fund, L.P. ("Prime Fund"). Virtually all of Prime Fund's assets were invested through BLMIS.

15. In connection with the Prime Fund transaction, Citibank lent $300 million to Prime Fund to invest directly into BLMIS. Later, as Citi became more suspect of Madoff's legitimacy, Citi backed out of a proposal to provide leverage to a newly-created fund sponsored by Tremont Partners, Inc. ("TPI"). Shortly thereafter, Citibank also refused to increase the amount of the existing Prime Fund loan, and ultimately cancelled the Citibank-Prime Fund lending relationship, demanding full repayment of the $300 million loan. To repay the loan to Citibank, Prime Fund withdrew and/or utilized more than $300 million from its BLMIS account and then subsequently transferred those funds to Citibank. That money is Customer Property and should be returned to the BLMIS estate.

16. The Trustee has filed suit against Prime Fund, and other Tremont-related defendants to avoid initial and recover certain subsequent transfers of Customer Property. *See Picard v. Tremont Group Holdings, Inc., et al. (In re Bernard L. Madoff Inv. Sec. LLC)*, No. 10-5310 (Bankr. S.D.N.Y filed Dec. 7, 2010) (the "Tremont Complaint"). For the reasons set forth

[2] It is unclear whether Citibank or CNAI made the loan to Prime Fund and what Citi entity received repayment from Prime Fund. Both Citibank and CNAI are "lenders" pursuant to the Prime Fund loan documentation. We will refer only to Citibank as the lender on the Prime Fund loan and the recipient of loan repayment proceeds.

in the Tremont Complaint, the initial transfers between BLMIS and Prime Fund are avoidable, should be avoided, and are recoverable by the Trustee. For the reasons set forth herein, the subsequent transfer between Prime Fund and Citibank is recoverable and the Customer Property, or the value thereof, should be returned to the BLMIS estate.

C. The Citi Swap

17. This adversary proceeding also seeks to recover approximately $130 million paid to CGML in connection with a swap linked to the performance of Fairfield Sentry Limited ("Sentry"), one of the largest Madoff Feeder Funds.

18. In 2005, CGML entered into a swap transaction for approximately $280 million with a Swiss-based hedge fund known as Auriga International Limited ("Auriga"). The underlying asset for this swap was Sentry. As part of this swap transaction, CGML purchased $140 million of Sentry shares, and held a total of approximately $280 million of Sentry shares at various points in time between 2005 and 2008. In the months prior to Madoff's arrest in 2008, CGML redeemed approximately $130 million of its Sentry shares on notice of red flags concerning Madoff's very legitimacy.

19. CGML submitted its Sentry redemptions and received multi-million dollar transfers of money from Sentry at times when Citi not only knew or should have known about major red flags of possible fraudulent activity by Madoff, but in fact had been advised specifically that Madoff was likely running a massive Ponzi scheme. Prior to submitting the redemptions, CGML had also earned many hundreds of thousands, if not millions, of dollars in fees and charges from the Auriga swap.

20. Upon information and belief, to pay for the CGML redemptions, Sentry withdrew and/or utilized funds from its BLMIS accounts and transferred those funds to CGML. The

Trustee has filed suit against Sentry, and other Fairfield-related defendants to avoid initial and certain subsequent transfers of Customer Property. *See Picard v. Fairfield Sentry Ltd., et al. (In re Bernard L. Madoff Inv. Sec. LLC)*, No. 09-1239 (Bankr. S.D.N.Y filed May 18, 2009), as amended on July 20, 2010 (the "Fairfield Amended Complaint"). For the reasons set forth in the Fairfield Amended Complaint, the transfers between BLMIS and Sentry are avoidable, should be avoided, and are recoverable by the Trustee. For the reasons set forth herein, the subsequent transfers between Sentry and CGML are recoverable by the Trustee and the Customer Property should be returned to the BLMIS estate.

II. JURISDICTION AND VENUE

21. The Trustee brings this adversary proceeding pursuant to his statutory authority under SIPA §§ 78fff(b), 78fff-1(a), and 78fff-2(c)(3), 11 U.S.C. §§ 105(a), 544, 547, 548, 550(a), and 551 of 11 U.S.C. §§ 101 *et. seq.* (the "Bankruptcy Code"), and New York Debtor and Creditor Law §§ 273-279, to recover transfers received by the above-captioned defendants ("Defendants") as subsequent transferees from Madoff Feeder Funds, which were directly invested with BLMIS.

22. This is an adversary proceeding brought in this Court, in which the main underlying substantively consolidated SIPA case, No. 08-01789 (BRL) (the "SIPA Case"), is pending. The SIPA Case was originally brought in the United States District Court for the Southern District of New York (the "District Court") as *Securities Exchange Commission vs. Bernard L. Madoff Investment Securities LLC et al.*, No. 08 CV 10791 (the "District Court Proceeding"). This Court has jurisdiction over this adversary proceeding under 28 U.S.C. § 1334(b) and 15 U.S.C. §§ 78eee(b)(2)(A), (b)(4).

23. Citibank, CNAI and CGML are subject to personal jurisdiction in this judicial district pursuant to N.Y. C.P.L.R. §§ 301 and 302, and Rule 7004 of the Federal Rules of Bankruptcy Procedure, because they routinely conduct business in New York, purposely avail themselves of the laws of the State of New York by undertaking significant commercial activities in New York, and derive significant revenue from New York. Citibank, CNAI and CGML also has subsidiaries or affiliates doing business in New York. Additionally, CGML entered into agreements with Fairfield Greenwich entities, governed by New York law, through which CGML conducted significant commercial activity in New York. Thus, this Court has personal jurisdiction over each of Citibank, CNAI and CGML based on their contacts with the United States.

24. This is a core proceeding pursuant to 28 U.S.C. § 157(b)(2)(A), (F), (H) and (O).

25. Venue in this District is proper under 28 U.S.C. § 1409.

III. BACKGROUND

26. On December 11, 2008 (the "Filing Date"), Madoff was arrested by federal agents for violations of the criminal securities laws, including, *inter alia*, securities fraud, investment adviser fraud, and mail and wire fraud. Contemporaneously, the SEC filed a District Court Proceeding against Madoff. The SEC complaint alleges that Madoff and BLMIS engaged in fraud through the BLMIS investment advisory business (the "BLMIS IA Business").

27. On December 12, 2008, The Honorable Louis L. Stanton entered an order appointing Lee S. Richards, Esq. as receiver for the assets of BLMIS (the "Receiver").

28. On December 15, 2008, pursuant to SIPA § 78eee(a)(4)(B), the Securities Investor Protection Corporation ("SIPC") filed an application in the District Court alleging, *inter alia*, BLMIS was not able to meet its obligations to securities customers as they came due and, accordingly, its customers needed the protections afforded by SIPA. On that same date, pursuant

to SIPA § 78eee(a)(4)(A), the SEC consented to a combination of its own action with SIPC's application.

29. Also on December 15, 2008, Judge Stanton granted SIPC's application and entered an order pursuant to SIPA (the "Protective Decree"), which, in pertinent part:

(a) appointed the Trustee for the liquidation of the business of BLMIS pursuant to SIPA § 78eee(b)(3);

(b) appointed Baker & Hostetler LLP as counsel to the Trustee pursuant to SIPA § 78eee(b)(3);

(c) removed the case to this Bankruptcy Court pursuant to SIPA § 78eee(b)(4); and

(d) released in effect the Receiver for BLMIS.

30. Pursuant to SIPA § 78*lll*(7)(B), the Filing Date is deemed to be the date of the filing of the petition within the meaning of sections 547 and 548 of the Bankruptcy Code and the date of the commencement of the case within the meaning of section 544 of the Bankruptcy Code.

31. By orders dated December 23, 2008 and February 4, 2009, respectively, the Bankruptcy Court approved the Trustee's bond and found the Trustee was a disinterested person. Accordingly, the Trustee is duly qualified to serve and act on behalf of the estate of BLMIS.

THE PONZI SCHEME

32. BLMIS was founded in 1959 by Madoff and, for most of its existence, operated from its principal place of business at 885 Third Avenue, New York, New York. Madoff, as founder, chairman, chief executive officer and sole owner, operated BLMIS together with several of his friends and family members. BLMIS was registered with the SEC as a securities

broker-dealer under Section 15(b) of the Securities Exchange Act of 1934, SIPA § 78o(b). By virtue of that registration, BLMIS is a member of SIPC. BLMIS had three business units: the IA Business, market-making and proprietary trading.

33. Outwardly, Madoff ascribed the consistent success of the IA Business to his so-called "split-strike conversion" strategy (the "SSC Strategy"). Pursuant to this SSC Strategy, Madoff purported to invest BLMIS customers' funds in a basket of common stocks within the S&P 100 Index—a collection of the 100 largest publicly traded companies. Madoff claimed his basket of stocks would mimic the movement of the Standard & Poor's 100 Index (the "S&P 100 Index").

34. The S&P 100 Index is a capitalization-weighted index of 100 stocks from a broad range of industries. The component stocks are weighted according to the total market value of their outstanding shares. The impact of a component's price change is proportional to the issue's total market value, which is the share price times the number of shares outstanding.

35. Madoff also asserted that he would carefully time purchases and sales to maximize value, and correspondingly, BLMIS customers' funds would, intermittently, be out of the equity markets. While out of the market, those funds were purportedly invested in United States Treasury bills or in mutual funds holding Treasury bills. The second part of the SSC Strategy was the hedge of Madoff's stock purchases with S&P 100 Index option contracts ("OEX options"). Those option contracts functioned as a "collar," limiting both the potential gains and the potential losses. Madoff purported to use proceeds from the sale of OEX call options to finance the cost of purchasing OEX put options. Madoff also told IA Business customers, including feeder funds and financial institutions, that he would enter and exit the market between six and ten times each year.

36. BLMIS IA Business customers received fabricated monthly or quarterly statements showing that securities were held in, or had been traded through, their BLMIS accounts. The securities purchases and sales shown in such account statements never occurred and the profits reported were entirely fictitious. Madoff's SSC Strategy was entirely fictitious.

37. At times prior to his arrest, Madoff generally assured customers and regulators that he purchased and sold the OEX put and call options over-the-counter ("OTC"), rather than through an exchange. Yet, like the underlying securities, the Trustee has yet to uncover any evidence that Madoff ever purchased or sold any of the options described in customer statements. The Options Clearing Corporation, which clears all option contracts based upon the stocks of S&P 100 companies, has no record of the BLMIS IA Business having ever bought or sold any exchange-listed options on behalf of any of the IA Business customers. Nor are there any BLMIS records of OTC OEX options contracts settled with any domestic or foreign counterparties in connection with the SSC Strategy.

38. For all periods relevant hereto, the BLMIS IA Business was operated as a Ponzi scheme. The money received from investors was not invested in stocks and options. Rather, BLMIS used its IA Business customers' deposits to pay withdrawals by other customers, and to make other transfers, which are avoidable by the Trustee. Many of these transfers were to enrich Madoff, his associates and his family.

39. The falsified monthly account statements reported that the accounts of IA Business customers had made substantial gains, but, in reality, because it was a Ponzi scheme, BLMIS did not have the funds to pay investors on account of their new investments. BLMIS was only able to survive for as long as it did by using the stolen principal invested by some customers to pay other customers.

40. The payments BLMIS made to investors constituted an intentional misrepresentation of fact regarding the underlying BLMIS accounts and were an integral and essential part of the fraud. The payments were necessary to validate the BLMIS false account statements, and were made to avoid detection of the fraud, to retain existing investors and to lure other investors into the Ponzi scheme.

41. On August 11, 2009, a former BLMIS employee, Frank DiPascali, also pleaded guilty to participating in and conspiring to perpetuate the Ponzi scheme. At a Plea Hearing on August 11, 2009 in the case entitled *United States v. DiPascali*, DiPascali pleaded guilty to a ten-count criminal information. Among other things, DiPascali admitted that the Ponzi scheme operated at BLMIS since at least the 1980's. *See* Plea Allocution of Frank DiPascali at 46, *United States v. DiPascali*, No. 09-CR-764 (RJS) (S.D.N.Y. Aug. 11, 2009) (Docket No. 11).

42. Based upon the Trustee's ongoing investigation, it now appears there were more than 8,000 customer accounts at BLMIS over the life of the scheme. In early December 2008, BLMIS generated account statements for its approximately 4,900 open customer accounts. When added together, these statements purportedly showed that BLMIS customers had approximately $65 billion invested through BLMIS. In reality, BLMIS had assets on hand worth only a fraction of that amount. Customer accounts had not accrued any real profits because virtually no investments were ever made. By the time the Ponzi scheme came to light on December 11, 2008 with Madoff's arrest, investors had already lost approximately $20 billion in principal.

43. At a Plea Hearing on March 12, 2009 in the case captioned *United States v. Madoff*, Madoff pleaded guilty to an eleven-count criminal information filed against him by the United States Attorneys' Office for the Southern District of New York. At the Plea Hearing,

Madoff admitted that he "operated a Ponzi scheme through the investment advisory side of [BLMIS]." Plea Allocution of Bernard L. Madoff at 23, *United States v. Madoff*, No. 09-CR-213 (DC) (S.D.N.Y. March 12, 2009) (Docket No. 50) ("Madoff Plea Allocution"). Additionally, Madoff asserted "[a]s I engaged in my fraud, I knew what I was doing [was] wrong, indeed criminal." *Id.* Madoff was sentenced on June 29, 2009 to 150 years in prison.

44. As Madoff admitted at his Plea Hearing, he never purchased any of the securities, options or Treasurys for the BLMIS IA Business and the returns he reported to customers were entirely fictitious.[3]

45. At all times relevant hereto, the liabilities of BLMIS were billions of dollars greater than its assets. BLMIS was insolvent in that: (i) its assets were worth less than the value of its liabilities; (ii) it could not meet its obligations as they came due; and (iii) at the time of the transfers, BLMIS was left with insufficient capital.

46. Madoff's scheme continued until December 2008, when the requests for withdrawals overwhelmed the flow of new investments and caused the inevitable collapse of the Ponzi scheme.

47. This Complaint and similar complaints are being filed to recover subsequent transfers from BLMIS. All Customer Property recovered by the BLMIS estate shall first be distributed among BLMIS customers in accordance with SIPA § 78fff-2(c)(1).

[3] Madoff did a "*de minimis*" amount of securities trading outside of the SSC Strategy – such trading is not at issue in the Trustee's allegations herein.

IV. TRUSTEE'S POWERS AND STANDING

48. Pursuant to SIPA § 78fff-1(a), the Trustee has the general powers of a bankruptcy trustee in a case under the Bankruptcy Code. SIPA § 78fff(b), Chapters 1, 3, 5, and subchapters I and II of chapter 7 of the Bankruptcy Code are applicable to this case to the extent consistent with SIPA.

49. In addition to the powers of a bankruptcy trustee, the Trustee has broader powers granted by SIPA.

50. By virtue of his appointment under SIPA, the Trustee has the responsibility to recover and pay out Customer Property to BLMIS customers, assess claims and liquidate any other assets of BLMIS for the benefit of the estate and its creditors. The Trustee is in the process of marshalling BLMIS's assets, but they will not be sufficient to fully reimburse BLMIS customers for the billions of dollars they invested through BLMIS. Consequently, the Trustee must use his broad authority as expressed and intended by both SIPA and the Bankruptcy Code to pursue recovery for BLMIS accountholders and their subsequent transferees.

51. The Trustee is a real party in interest and has standing to bring these claims pursuant to SIPA § 78fff-1 and the Bankruptcy Code, including sections 323(b) and 704(a)(1), because, among other reasons:

a. CGML, Citibank and/or CNAI received Customer Property as defined in SIPA § 78*lll*(4);

b. BLMIS incurred losses as a result of the conduct set forth herein;

c. BLMIS customers were injured as a result of the conduct detailed herein;

d. SIPC cannot by statute advance funds to the Trustee to fully reimburse all customers for all of their losses;

e. the Trustee will not be able to fully satisfy all claims;

f. the Trustee, as bailee of Customer Property, can sue on behalf of the customer-bailors;

g. as of this date, the Trustee has received multiple, express assignments of certain claims of the applicable accountholders, which they could have asserted. As assignee, the Trustee stands in the shoes of persons who have suffered injury-in-fact, and a distinct and palpable loss for which the Trustee is entitled to reimbursement in the form of monetary damages;

h. SIPC is the subrogee of claims paid, and to be paid, to customers of BLMIS who have filed claims in the liquidation proceeding. SIPC has expressly conferred upon the Trustee enforcement of its rights of subrogation with respect to payments it has made and is making to customers of BLMIS from SIPC funds; and

i. the Trustee has the power and authority to avoid and recover transfers pursuant to sections 544, 547, 548 and 550(a) of the Bankruptcy Code and SIPA § 78fff-2(c)(3).

V. THE DEFENDANTS AND RELEVANT NON-PARTIES

52. Defendant Citibank is a nationally chartered bank and is Citigroup Inc.'s primary bank subsidiary with a principal place of business at 399 Park Avenue, New York, New York 10043.

53. Defendant CNAI is a corporation with a principal place of business at 450 Mamaroneck Avenue, Suite A, Harrison, New York 10528-2402. CNAI operates as a subsidiary of Citicorp Banking Corporation.

54. Defendant CGML is an investment banking and securities brokerage firm that provides investment banking services to supranationals, governments, financial institutions and

large and mid-capitalization corporate clients. CGML operates as a subsidiary of Citigroup Global Markets Europe Limited. CGML is headquartered at Citigroup Centre, 33 Canada Square, Canary Wharf, London, E14 5LB, United Kingdom. CGML has additional offices in Amsterdam, Budapest, Dublin, Frankfurt, Geneva, Lisbon, Madrid, Milan, Moscow, Paris, Warsaw and Zurich.

55. Non-party Citigroup is a U.S. holding company formed in 1998 from the merger of Citicorp and Travelers Group, Inc., with its principal place of business at 399 Park Avenue, New York, New York 10043. "Citi" is divided into four major business groups: (i) Consumer Banking, (ii) Global Wealth Management, (iii) Global Cards, and (iv) Institutional Clients Group. Through its two main holding entities, Citicorp (f/k/a Citigroup Global Markets Inc.) and Citi Holdings, the various Citi subsidiaries provide consumers, corporations, governments and institutions with a broad range of financial products and services, including consumer banking and credit, corporate and investment banking, securities brokerage, transaction services and wealth management.

56. Non-party TPI was or still is the general partner to one or more of the "Rye Select" funds exercising ultimate authority over, and maintaining involvement in, the day-to-day management of those funds. TPI also acted as investment manager/administrator to one or more of the Rye Select funds and had ultimate responsibility to monitor those funds.

57. Non-party Tremont Capital Management, Inc. ("TCM"), together with TPI and the Prime Fund, are sometimes collectively referred to herein as "Tremont."

58. Non-party Sentry is a British Virgin Islands hedge fund, currently in liquidation, which maintained one or more customer accounts at BLMIS, and was one of BLMIS's largest feeder funds and sources of investor principal.

VI. CITI WAS ON INQUIRY NOTICE OF POSSIBLE MADOFF FRAUD

59. Citi had access to and received information placing it on inquiry notice that Madoff's advisory business was potentially a fraud, and/or that Madoff was making hundreds of millions, if not billions, of dollars in avoidable transfers.

A. THE 2005 LOAN TRANSACTION WITH TREMONT'S PRIME FUND

60. In or about April 2005, CNAI was engaged exclusively by Tremont to arrange for a 364-day, renewable credit facility for Prime Fund. This facility on its face allowed for approximately $300 million in borrowings from a Citi entity. Citi's funding commitment was made expressly contingent upon, among other things, completing due diligence as it "deemed advisable." Prime Fund informed Citi that it intended to deposit the borrowed money directly into Prime Fund's account with BLMIS so that Madoff could invest it.

1. Citi's "Due Diligence" And Early Discovery Of The Risks Of Possible Fraud

61. During the course of Citi's 2005 initial "due diligence," and as part of negotiating the final terms of the Prime Fund loan transaction, Citi learned, among other things, that Tremont received only paper copy trade confirmations approximately five (5) days *after* BLMIS conducted the alleged trading – a practice rife with the possibility for fraud due to the ability of the brokerage firm to backdate or manufacture trading activity with no ability on the customer's part to check that the trades actually took place.

62. Citi further learned from Tremont that all of the information about Prime Fund's account and trading activities through BLMIS, which Citi required to go forward would be supplied solely by Tremont. As a result, Citi was advised that Tremont, and not Madoff, would be the party reporting necessary information for Citi's ongoing monitoring of Prime Fund's compliance with the credit agreement. This meant that Citi would have to rely almost

exclusively upon secondhand information concerning Madoff's alleged trading activity provided by Tremont.

2. Citi Sought An Indemnity Against Madoff Fraud In The Agreement Because Madoff's Control Over The Trading And Custody Of Assets Was Unchecked

63. As part of its pre-agreement due diligence, Citi flagged a key indicator of fraud: "[b]ecause the Investment Advisor [Madoff] has full discretion over the Brokerage Account [Prime Fund's account at BLMIS], the potential risk, while remote, of fraud by the Investment Advisor is introduced." In the same document, dated May 31, 2005, an entire paragraph is devoted to what is titled "*Fraud by the Investment Advisor due to physical control of the Brokerage Account and full discretion over account activity*."

64. Because of Citi's concern regarding Madoff, under the loan documentation, Prime Fund's General Partner, TPI, indemnified Citi against certain consequences of Prime Fund's breach of contract. In addition to TPI's obligations, Citi also required a "Parent Guarantee" to be provided by TCM. Citi stated that "the primary mitigant of fraud by the Investment Advisor will be an indemnity from the General Partner [TPI] supported by a Parent Guarantee from TCM." Citi structured the loan documentation so that "each of the General Partner and TCM shall be liable for losses resulting from a breach of the Investment Advisor [Madoff] of its obligations under the Control Agreement or from its failure to adhere to the Investment Strategy under the Facility or for *any fraud by the Investment Advisor*." (emphasis added). These additional protections required by Citi, upon information and belief, were not industry standard and, upon further information and belief, were insisted upon because of Madoff's involvement as the investment adviser, prime broker and sub-custodian of the assets.

3. The Terms Of The Prime Fund Loan

65. In June 2005, Prime Fund entered into a loan facility with CNAI and Citibank, pursuant to which Prime Fund was eligible to borrow up to $300 million from these Citi entities (the "2005 Loan"). As part of the collateral for the 2005 Loan, Prime Fund pledged all of its assets held in its BLMIS brokerage account.

66. As part of the 2005 Loan, Citi also required BLMIS to enter into a letter agreement pursuant to which BLMIS "agreed to maintain a segregated customer account on behalf of [Prime Fund], which was pledged for the benefit of Citi." BLMIS acknowledged in the letter agreement that Citi held a security interest in Prime Fund's brokerage account with Madoff. Upon information and belief, at no time did Citi do anything further to independently verify that Prime Fund in fact had a segregated account.

67. After the Citi credit facility closed in June 2005, Prime Fund borrowed hundreds of millions of dollars from Citibank or CNAI. Upon information and belief, all of the borrowed money from Citibank was invested by Prime Fund through its BLMIS brokerage account, which was not segregated.

68. Under the Prime Fund Loan's terms and conditions, Tremont was obligated to provide CNAI and Citibank with weekly and monthly reports of Madoff's purported trading activity on behalf of Prime Fund. Upon information and belief, Prime Fund and Tremont provided this information to Citi. Because of the anomalies apparent on the face of these reports, or which could be discovered upon reasonable review and analysis, this information placed Citi on inquiry notice of fraudulent activity and/or fraud in connection with hundreds of millions of dollars of avoidable transfers being made by BLMIS.

B. ATTEMPTS TO FURTHER EXPLOIT MADOFF'S RETURNS THROUGH TREMONT – CITI'S CONCERNS DEEPEN

69. In or about January 2006, Tremont and several individuals at Citi began discussing possible transactions whereby Citibank or CNAI would provide two or three times leverage for either a single Tremont-sponsored BLMIS feeder fund, or two distinct Tremont-sponsored BLMIS feeder funds with a single share class each. The potential Tremont-Citi transactions were to be structured to benefit both parties by permitting the new Tremont funds to generate a return two or three times greater than they would have generated without the Citi borrowed funds, and Citi would receive fees and carrying cost interest charged to the Tremont funds.

70. During these discussions, Citi's structured products and derivatives specialists realized that "in order to get the deal approved we need to figure out how to address the due diligence questions our internal control functions have." Citi had specific concerns about the very safety of the Prime Fund's account at BLMIS. Tremont tried to allay those concerns by providing to Citi certain documentation purporting to show the accounts were set up as a "segregated customer account." But Citi had much more significant concerns about Madoff's alleged trading.

1. Who Are The Option Counterparties?

71. In the course of seeking internal approval within Citi for the proposed leveraged transaction with Tremont, in late March of 2006, Citi advised Tremont that they would like to meet with Madoff in April. Citi further advised Tremont that they intended to bring to the Madoff meeting Citi's global heads of credit and market risk. As explained to Tremont, a "critical issue" for Citi was finding out who exactly were the counterparties to the purported options trades conducted on Tremont's behalf by Madoff.

72. Senior Citi executives, including [Redacted] and [Redacted] made a meeting with Madoff a requirement for Citi to enter into any new leveraged transaction with Tremont. According to Citi's [Redacted], the proposed new Tremont transaction presented an opportunity to revisit several open issues and concerns Citi had about BLMIS's purported options trading.

2. Fundamental Roadblocks

73. Tremont scheduled a meeting between Citi and Madoff for April 26, 2006. Prior to the meeting, however, on or about April 20, 2006, Tremont's Chief Operating Officer Darren Johnston and Tremont's Senior Vice President Stuart Pologe held a teleconference with [Redacted] [Redacted] [Redacted] and [Redacted] [Redacted] [Redacted]. During the call, the Citi representatives explained that after taking the proposed new deal to internal Citi committees and Citi's senior management, Citi would not provide a new multi-million dollar credit facility to Tremont or any of its funds.

74. "[F]undamental roadblocks" for Citi's senior risk management included: Madoff maintaining custody of the assets in the trading account as opposed to an independent third-party, as well as the lack of transparency regarding how Madoff could execute the extraordinary volume of purported options trades.

3. Attempts To Meet Madoff Rejected

75. Tremont confirmed internally that Citi "couldn't get comfortable in general," and accordingly, "Citi said no to leveraging BM."

76. Citi nevertheless sought to have the April 26 meeting with Madoff to learn more about his operations, and to resolve some of the open questions about Madoff's options trading. Tremont, however, cancelled the meeting.

4. Tremont Wishes To Renew And Expand The 2005 Loan

77. Despite Citi's unwillingness to provide funding for new Tremont-sponsored leveraged funds, Tremont requested Citi to renew the 2005 Prime Fund Loan and to increase the permissible borrowing amount from $300 million to over $400 million. As the 2005 loan's maturity date approached, and in the face of its own due diligence concerns, Citi agreed to extend the 2005 credit facility until November 30, 2006, and to table the issue of providing at least an additional $100 million funding until it got comfortable that its due diligence questions were satisfactorily resolved. One of those issues was that Citi still wanted a meeting with Madoff.

5. Citi Wishes To "Resolve Internal Wonder"

78. Internal e-mails at Tremont confirmed that "[w]ith respect to the Madoff meeting, their [Citi's] interest is to 'resolve internal wonder' remaining from their due diligence related to 3X leverage on how Madoff executes the trades. . . . It will be the result of our response to each request, the TPI [Financial Statements] and the Madoff meeting, that will determine the deal after July 31st. [Citi employee] stated that both the one-year term and the additional $100 million are what they continue to work towards."

79. On or about August 1, 2006, Tremont provided Citi with TPI's audited financials for 2004 and 2005, which had not previously been produced. A Citi employee responded to that e-mail by acknowledging receipt of the financial statements and further stating, "Let me know when it is time to set up the meeting with Mr. Madoff."

80. On or about September 19, 2006, a Tremont employee advised Robert Schulman, Tremont's CEO, that "Citigroup is asking about the Madoff meeting – they have also indicated an interest in increasing the size of the credit facility. [Tremont employee] has told them to write

up their questions. Are you still willing to get them this meeting? We haven't discussed timing but I believe they expect it before year end."

81. On or about October 11, 2006, a Citi Managing Director e-mailed Tremont with draft due diligence questions. In response to that e-mail, Tremont began planning a meeting between Citi and Madoff in middle to late November at BLMIS.

82. As part of the renewal and possible expansion of the 2005 Loan, Tremont ultimately arranged a meeting between Citi and Madoff to occur on November 27, 2006 at BLMIS's office.

83. Upon information and belief, Madoff and Tremont allowed only three Citi people to attend the meeting, which lasted only an hour (Citi wanted four people to attend the meeting). Following the meeting with Madoff, Citi not only decided against extending additional credit to Tremont, upon information and belief, it also made a high-level decision to terminate the Prime Fund loan.

84. Knowing that Citi was not going to extend or expand the Prime Fund loan, on March 12, 2008, Tremont requested a $475 million withdrawal from BLMIS with monies to be wired to Prime Fund on March 25, 2008. Per Tremont's request, on March 25, 2008 BLMIS wired $475 million to Prime Fund's account at Bank of New York. That same day, Prime Fund used the monies it received from BLMIS to wire Citibank $300 million to pay off the loan from Citibank and CNAI, and then terminated the loan agreement. The $300 million paid to Citibank from the 2005 Loan Transaction is Customer Property recoverable by the Trustee as a subsequent transfer of an avoidable transfer from BLMIS to Prime Fund.

C. CITI'S SWAP WITH AURIGA LINKED TO SENTRY

85. At virtually the same time that Citibank and CNAI were dealing with Tremont,

TPI and Prime Fund, other people at Citibank and CGML, another branch of the global Citi organization, was getting involved with another significant Madoff Feeder Fund, Sentry.

86. On or about September 2004, representatives of Sentry met with Citi's [Redacted] [Redacted] [Redacted], [Redacted] [Redacted] and [Redacted] to discuss development of structured products with Sentry shares serving as the reference fund.

87. In early 2005, a London CGML trader reported to Sentry that CGML had been asked to provide leverage by a Sentry client, Auriga, whose existing leverage provider, Bank of America ("BoA"), was supposedly leaving that business line and needed to be replaced quickly.

88. Soon thereafter, a London CGML trader placed another call to a Sentry contact regarding the "push" to have Citi provide leverage to Auriga. During that call, he indicated that CGML had never done a structured product on a single manager, such as Madoff, and as a result the proposed leveraged trade was receiving a large amount of internal attention.

89. If Citi could successfully create structured products specifically geared towards Madoff Feeder Funds, it stood to earn substantial fees. Citi was in fact actively pursuing the development of products exclusive to Madoff at a time when it already had knowledge of red flags about Madoff's legitimacy.

90. Citi's concerns as to single manager structured products underlying Madoff Feeder Funds were "primarily credit concerns as opposed to performance risk concerns – *i.e.*, could the money disappear from the account in any one day, leaving Citibank exposed with a $150 million loan and no collateral. They are not necessarily concerned about transparency to the portfolio, they just would feel more comfortable if there were some sort of control on money leaving the account."

91. A CGML London trader further indicated that "[it] has relationships on several levels with the Madoff organization and the feeling seems to be that everything checks out OK *but that he is obviously secretive*." Because of these pre-existing relationships, Citi was "trying to see if someone in the organization . . . could call Bernie on this trade without ruffling his feathers." (emphasis added).

92. On or about March 2005, CGML arranged a due diligence meeting at Fairfield Greenwich Group ("FGG") offices. In attendance from Citi were two credit officers, two market risk officers (including [Redacted]), and the [Redacted] [Redacted]. During the meeting, FGG provided Citi with information and documentation on FGG, Sentry, Madoff and BLMIS, including, but not limited to:

- Return Attribution Reports for January 2005;
- Trade tickets and monthly account statements for the three months prior to the meeting;
- Consultant's reports for the three months prior to the meeting;
- Various quantitative analyses for Sentry;
- Newspaper and journal articles on FGG;
- PwC's summary of 2004 audit procedures at BLMIS;
- PwC's summary of internal control procedures at U.S. Broker/Dealers;
- Citco's administrator agreement;
- Citco's custody agreement;
- Friehling & Horowitz's (Madoff's auditor) comment on the internal controls at BLMIS;
- Madoff's guide to "best execution";
- Samples of Sentry's client communications, including weekly estimated NAV's, semi-annual letters, libor analyses from 2004, pitch books, monthly strategy

reports, monthly tear sheets, Sentry's offering memorandum, and 2005 RFP showing Sentry's past performance and various quantitative analysis statistics, including Sentry's Sharpe ratio;

- Aggregated risk reports; and
- Annual audited financial statements and Directors' report for the three years prior to the meeting.

93. This was the only meeting between Citi and FGG before the Auriga swap was executed by CGML. Upon information and belief, the meeting lasted only one or two hours.

94. Following this meeting, FGG employees circulated an email indicating that [Redacted] [Redacted] had requested additional documentation on Madoff and BLMIS to distribute to the "credit committee to help them get 'comfortable' with BLM (his words). "

95. Despite the request for additional information, [Redacted] [Redacted] [Redacted] told FGG that the meeting went "very well. " FGG's Kim Perry indicated that

> Citicorp has no issues with FGG, they were impressed by our operation. They are also comfortable with the market risk of the strategy. The only risk that they continue to have some concerns about is the theoretical fraud risk given that Madoff is the custodian of the assets.

96. This seemed to surprise FGG's Rob Blum, who responded:

> Fantastic news! It was a very good meeting, good chemistry, bright guys, but [J]effrey and I figured they'd choke on the fraud risk because no one would step up to own it internally in their group. Maybe I'm too cynical after all.

97. As a result of receiving information from Sentry and FGG, CGML knew through non-public information of a number of red flags of possible fraudulent activities at BLMIS. Among those were: (1) option trading volumes which far exceeded the total market volumes, (2) equity trades which were high percentages of daily volumes and which never affected prices, (3) BLMIS's use of an obscure auditing firm which was incapable of properly auditing the BLMIS account; and (4) a steady performance inconsistent with the S&P 100 Index upon which the

funds investment strategy was principally based and inconsistent with Madoff's purported SSC Strategy.

98. According to [Redacted] [Redacted], the head of the structured products trading desk in New York, who also helped manage the group's risk, Citi's due diligence on funds during this time period (2005-2006) was "ad hoc," and there was no due diligence specialist working in the group. Nor did Citi have in place rigorous due diligence procedures or transaction approval procedures.

99. Also, according to [Redacted] [Redacted], although Citi was provided information such as BLMIS's audited financials, no one from Citi actually did any diligence on BLMIS's auditor, Friehling & Horowitz ("F&H"), and no one from Citi actually looked at the information BLMIS submitted to the SEC in its annual filing.

100. Before approving the proposed swap transaction with Auriga, [Redacted] [Redacted]s group also wanted to meet with Madoff. [Redacted] [Redacted]s group was told by FGG, however, that Madoff would not meet with Citi. Notwithstanding this red flag, and [Redacted] [Redacted]'s frustration at not getting an opportunity to meet with Madoff in advance of committing $140 million of Citi's money to purchase Sentry shares, Citi elected to move forward with the contemplated Auriga transaction.

101. According to [Redacted] [Redacted], one possible explanation considered by Citi for Madoff's extraordinary consistently positive returns was that because BLMIS had a market-making business, Madoff could take advantage of seeing large order flow. Notwithstanding Citi's understanding that Madoff might be engaging in illegal front-running to generate the incredible BLMIS IA Business returns, Citi never conducted any further inquiry on how Madoff's returns were so consistently positive over such a long period of time.

102. Despite receiving this wealth of information raising questions about the integrity of BLMIS, on or around April 2005, CGML entered into a swap with Auriga with shares of Sentry as the underlying asset (the "2005 Auriga Swap"). As part of the 2005 Auriga Swap, CGML sold what is known as an accreting strike call option to Auriga, thereby creating for Auriga a $280 million gross exposure to Sentry's performance from the inception of the swap transaction. In an accreting strike call option, the investor purchases a cash settled over-the-counter call option from a bank/lender for a premium amount (a financing charge such as LIBOR plus) and in exchange receives a notional exposure to a reference fund equal to some multiplier, equating to the leverage amount. The bank/lender typically hedges its position by purchasing the leveraged amount of shares in the underlying asset. In the 2005 Auriga swap, CGML promised to pay Auriga at a future settlement date the cumulative positive returns on a synthetic investment of $280 million of Sentry shares.

103. To execute this swap, it was necessary for the parties to unwind the existing swap previously concluded between Auriga and BoA. As part of this unwinding process, Auriga instructed BoA to pay CGML the unwind value of $140 million due to Auriga from BoA. CGML took this payment as the premium due to CGML from Auriga under the 2005 Auriga Swap, and therefore no further payment had to be made by Auriga to CGML at the inception of the 2005 Auriga Swap.

104. On the date of the 2005 Auriga Swap trade inception, BoA also held $280 million worth of shares in Sentry; presumably BoA had acquired those shares to hedge its promised returns to Auriga. Upon information and belief, CGML paid BoA $140 million in cash and forgave the $140 million in unwind value due to CGML from BoA, in exchange for the acquisition of BoA's Sentry shares worth $280 million.

105. As a further result of the 2005 Auriga Swap, CGML executed an "Information Agreement" with Sentry to ensure an open flow of communication regarding CGML's hedge investment in Sentry. Due to CGML's investment in Sentry, serving as a hedge for Citi's exposure in the 2005 Auriga Swap, it was important that CGML had access to detailed information on BLMIS and Sentry. The Information Agreement explicitly required Sentry to provide CGML with "full and transparent disclosure of details of all the Fund's past and present investments and investment activities, including, without limitation, contracts, trade tickets and details of all outstanding transactions comprising the Fund's portfolio of investments; and . . . such personnel of the Fund or the Fund Manager as may be necessary to respond adequately to . . . enquiries in relation to the Fund's strategy and the composition of the Fund's portfolio of investments."

D. CITI'S "DILIGENCE"

106. With Citi having already executed nearly half a billion dollars worth of Madoff-related financial products, it was, upon information and belief, not until March 2006 that Citi first asked Sentry whether BLMIS's mysterious (and ultimately non-existent) option contracts were done over-the-counter or on a listed exchange. CGML also asked if FGG could "tell us one to two names of the counterparties with which the option trades have been done."

107. In late March 2006, Citi's [Redacted] sent an e-mail to FGG's Amit Vijayvergiya stating, "Please let us know if you can tell us 1/2 names of the counterparties with which the options trades have been done. It will be good to see you on one of your NY visits. We understand that you can not share the individual stock names and options confirms and we can come by your NY office and take a look at those in person. Please let us know the next time you are in NYC and we will come to see you."

108. In April 2006, CGML sought to discuss with Sentry: (i) confirms of options with counterparties; (ii) PwC's report for Sentry including details of the auditor's verification of OTC option details with counterparties; (iii) verification of the presence of securities and option trades in Sentry's account with Madoff; (iv) verification of the segregation of securities and trades in Sentry's accounts at Madoff; (v) documents to verify the legal ownership of the account; (vi) the Fund's ability to liquidate the managed account; and (vii) control on cash movements from the account.

109. According to [Redacted] [Redacted], Citi was repeatedly told that Madoff refused to identify the options counterparties, and that Citi was never satisfied in terms of its questions concerning BLMIS's options trading. According to [Redacted] [Redacted], Citi did nothing more to attempt to independently identify options counterparties for BLMIS or the Madoff Feeder Funds. Additionally, FGG never provided Citi with copies of options confirmations received from BLMIS. In fact, FGG provided Citi with only one binder of trade confirmations during the April meeting with FGG, and the Citi representatives were not allowed by FGG to take the binder with them.

110. Citi was in a unique position to discover Madoff's fraud by virtue of its Information Agreement with Sentry, giving Citi access to a wide array of information not otherwise publicly available. Citi also had considerable non-public information about BLMIS through Citibank's financing relationship with the Prime Fund. All of the information provided to Citi should have led any reasonable investor in Citi's position to discover numerous red flags of possible fraud involving BLMIS.

111. [Redacted], [Redacted]'s group relied almost exclusively on information it received from FGG and Sentry and conducted no independent due diligence on Sentry or BLMIS. Although Citi had

asked to speak with Sentry's auditor, PricewaterhouseCoopers ("PwC"), Citi accepted at face value FGG's claim that PwC would not discuss its work relating to BLMIS with Citi.

112. Also, according to [Redacted] [Redacted] Citi never conducted any independent quantitative analysis of Madoff's claimed returns, never performed any back-testing of the SSC Strategy, and never performed any other meaningful analysis of Madoff's trading results. Instead, Citi relied on FGG and Sentry, even when FGG and Sentry refused to provide specific information requested by Citi.

113. Notwithstanding Citi's inability to resolve open questions about Madoff, on or about May 2, 2007, Auriga and CGML entered into a revised swap transaction, which replaced the 2005 Auriga Swap (the "Amended Auriga Swap"). The 2005 Auriga Swap was terminated without the originally contemplated termination payments being made.

114. In the Amended Auriga Swap, Sentry was again the reference fund with a "Reference Portfolio" consisting of 243,757.23 shares of Sentry, subject to subsequent adjustment in accordance with the terms of the transaction. At the outset of the Amended Auriga Swap, Auriga was credited with having provided CGML with approximately $121 million, presumably carried over from the 2005 Auriga Swap.

115. In exchange for receiving the cumulative positive return on its hypothetical investment in Sentry, Auriga was obligated under the Amended Auriga Swap to pay CGML accrued interest and structuring fees amounting to LIBOR plus 140 basis points. The Amended Auriga Swap was scheduled to terminate on April 28, 2014, at which time, CGML would pay Auriga the cumulative positive return on the Sentry shares, less fees and expenses.

116. Upon information and belief, during 2007 and 2008, it became increasingly clear that CGML was no longer comfortable with its overall Madoff exposure, including its swap with

Auriga. In an internal FGG e-mail about potential sources for new structured products, Vijayvergiya stated he "heard about a year ago that unless they could meet BLM, Citi's risk group probably wouldn't approve increasing their exposure."

117. Upon information and belief, Citi began a process whereby it sought to reduce its exposure to Madoff and Madoff Feeder Funds, including Sentry.

118. In March 2008, CGML made a $60 million redemption request to Sentry, which was payable to CGML on April 14, 2008. FGG responded to CGML's March redemption by contacting CGML about reinvesting in Sentry. Upon information and belief, CGML did not return FGG's calls, and did not reinvest in Sentry. The redemption was paid to CGML in April 2008.

E. THE CDP SWAP

119. In May 2008, CGML was presented with the opportunity to further reduce its exposure in the form of a total return swap with Caisse de Depots et Placement du Quebec ("Caisse") (the "CDP Swap"). As part of the CDP Swap, Caisse executed a Subscription Agreement for Sentry shares. Caisse, however, did not purchase Sentry shares directly from Sentry. Rather, Caisse paid $200 million to CGML to obtain 153,494.2977 Sentry shares (the "Shares") of Sentry directly from CGML.

120. The primary purpose of the CDP Swap was to remove the Auriga transaction – and the Sentry shares in particular – from Citi's balance sheet. The terms of the CDP Swap provided that on April 30, 2009, Caisse would pay Citibank the return on the Shares experienced during that period, converted into Canadian Dollars.

121. The CDP Swap provided hedges for both Caisse and CGML with Caisse having purchased the Sentry shares from CGML. Caisse was perfectly hedged to provide the April 2009 return promised to Citibank. CGML was still hedged for the Amended Auriga Swap because it

would still receive the returns on the Sentry shares under the CDP Swap without actually owning them. Most importantly to CGML, it was able to reduce its exposure to Madoff by approximately $200 million (because it no longer owned the Sentry shares), but still maintained its hedge for the Auriga Amended Swap.

F. CITI TERMINATES THE AURIGA SWAP

122. On September 18, 2008, CGML exercised its right to notify Auriga of early termination of the Amended Auriga Swap. Due to lock-up provisions in the Auriga agreement, the voluntary early termination did not have an effective end date until March 31, 2009. In response, Auriga sought to change the reference fund from Sentry to another Madoff Feeder Fund, given Sentry's high fees. Instead of working with Auriga to amend the swap transaction, CGML accelerated the process of ridding itself of any continuing exposure to Madoff.

123. As of September 30, 2008, CGML still had approximately $60 million invested in Sentry as part of the Amended Auriga Swap. In October 2008, CGML placed a $40 million redemption for Sentry, paid to CGML on November 19, 2008.

124. Upon information and belief, by September 2008, CGML also began reaching out to other banks to take over its remaining exposure to BLMIS. In one e-mail, a CGML trader said, "We're needing to terminate our Madoff trade. Do you have appetite for that risk over there?" to which the other bank responded, "don't think so, madoff is not very popular here either."

125. On December 10, 2008, the day before Madoff's confession and arrest, CGML notified FGG and its custodian, Citco, that it was redeeming another $10 million from Sentry. That redemption request was never honored.

G. CITI WAS SPECIFICALLY TOLD MADOFF WAS RUNNING A PONZI SCHEME

126. By no later than June 2007, and likely several years earlier, Citi had knowledge of the possibility of Madoff's Ponzi scheme. Citigroup's [Redacted] [Redacted], was responsible for making recommendations to investors on equity derivatives and other assets. Upon information and belief, [Redacted] [Redacted] had the opportunity to meet and befriend Harry Markopolos, a fellow member of the financial industry. Markopolos is a certified financial analyst who, for many years, had been exclaiming that Madoff was most likely operating a Ponzi scheme and that BLMIS's investment advisory business was a complete fraud.

127. Markopolos reached out directly to [Redacted] [Redacted] via e-mail in June 2007, informing [Redacted] [Redacted] of Markopolos's suspicions regarding an unspecified leveraged swap that provided exposure to Madoff. Markopolos made his suspicions regarding Madoff remarkably clear stating, "[w]e all know how Ponzi schemes turn out." Upon information and belief, Markopolos and [Redacted] [Redacted] had additional oral and written communications before December 10, 2008, in which Madoff's fraud was specifically discussed.

128. Years before the collapse of BLMIS, and before the June 2007 email, [Redacted] [Redacted] met with Markopolos at Citi's New York offices. During that visit, Markopolos showed [Redacted] [Redacted] a description of Madoff's SSC Strategy and historical returns generated by that trading strategy as reported by a Madoff Feeder Fund, which, upon information and belief, was Sentry.

129. Markopolos asked [Redacted] [Redacted] whether the strategy that was described could result in the returns claimed. Within minutes, [Redacted] [Redacted] concluded that Madoff's strategy as described could not generate the returns indicated by the Madoff Feeder Fund. [Redacted] [Redacted] attempted to reconcile the discrepancy he saw between the strategy as described and the returns supposedly generated by

the strategy, but could not resolve the discrepancy. [Redacted] [Redacted] quickly concluded that the claimed returns were not in fact generated by the Madoff strategy as described. [Redacted] [Redacted] relayed his conclusion to Markopolos that same day.

130. [Redacted] [Redacted] and Markopolos also discussed whether others at Citi were familiar with Madoff trading in the equity and options markets. That same day, before Markopolos left Citi's offices in New York, [Redacted] [Redacted] asked around various desks at Citi and quickly determined that no trader at Citi on the index trading desk was trading options with BLMIS, nor were they aware of BLMIS trading OEX options. [Redacted] [Redacted] also asked salespeople at Citi if they knew BLMIS as a customer or as someone who is active in the market, to which the salespeople told [Redacted] [Redacted] "no."

131. [Redacted] [Redacted]'s skepticism about the returns Madoff claimed from using the SSC Strategy was never satisfied.

132. Upon information and belief, despite being on notice of possible fraudulent activities at BLMIS, Citi conducted no independent or reasonable due diligence into whether BLMIS was running a Ponzi scheme, or other fraudulent activity.

133. Citi willfully turned a blind eye to indicia of possible fraud at BLMIS based upon information available to them. Citi knew, and was on notice of, irregularities and problems concerning the trades reported by BLMIS, and strategically chose to ignore these concerns in order to continue to enrich themselves.

H. CITI EXECUTIVES ALSO KNEW MADOFF HAD BEEN BLACKLISTED

134. Upon information and belief, Citi learned more red flag information placing it on inquiry notice that Madoff was making fraudulent transfers when [Redacted] became its [Redacted] [Redacted] [Redacted] in or around March 2008. Prior to joining Citi, [Redacted] [Redacted] a multi-strategy hedge fund which was acquired by Citigroup in 2007.

135. Prior to his stints at [Redacted] and Citigroup, [Redacted] was the [Redacted] for [Redacted] at [Redacted] Upon information and belief, [Redacted] was employed at [Redacted] when the firm internally blacklisted Madoff-related investments due to concerns of fraud and other wrongdoing. Shortly after [Redacted] became Citi's [Redacted] [Redacted] Citi began to immediately unwind its BLMIS trades and rid itself of any and all remaining Madoff exposure.

136. Upon information and belief, Citi traders, bankers and sales people also had frequent discussions with the London equity derivatives desks of other major financial institutions about Madoff and BLMIS, in which traders and others would share information. Upon information and belief, these trading desks communicated specifically about Madoff and their redemptions of shares from various Madoff Feeder Funds. In fact, multiple financial institutions with London derivatives desks and products exposed to Madoff made multi-million dollar redemptions from Sentry in the months and weeks just prior to Madoff's arrest.

I. CITI HAD KNOWLEDGE AND EVIDENCE OF OTHER RED FLAGS OF POSSIBLE FRAUD AT BLMIS BEFORE RECEIVING SUBSEQUENT TRANSFERS FROM BLMIS

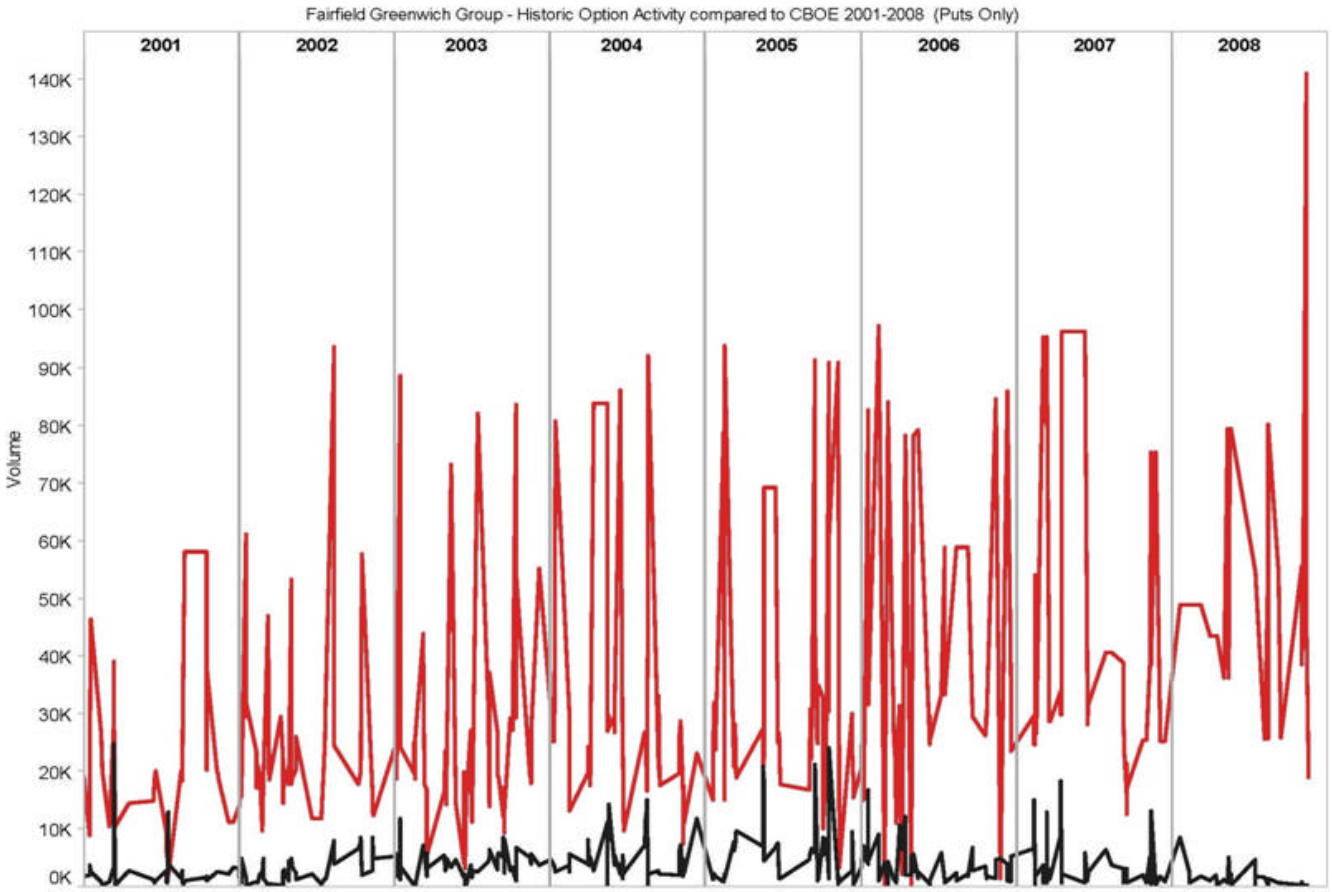
137. Through the process of entering into the swap transaction and loans at issue, Citi and its affiliates learned a wealth of information that placed it on inquiry notice of possible fraudulent activity at BLMIS. Citi also learned a lot of other information about Madoff and the IA Business in connection with other due diligence efforts directed towards various Madoff Feeder Funds.

138. **Options Trading Volumes**: Citi knew or should have known that the options trading volumes reported by BLMIS were impossible if exchange-traded. To implement the SSC Strategy, BLMIS purportedly purchased OEX options, which are traded on the CBOE. If Citi had performed minimal due diligence and checked the number of listed options in the BLMIS

accounts for Sentry against the number of the same options actually traded on the CBOE, it would have been abundantly clear that Madoff's claimed trading strategy was impossible due to market volume alone.

139. The options volumes reported by BLMIS to have been traded for the FGG accounts (including Sentry) *alone* would have exceeded the total options available on the CBOE nearly **97.6%** of the time.

140. A graphical display of the options supposedly traded for FGG's BLMIS investment is illuminating.

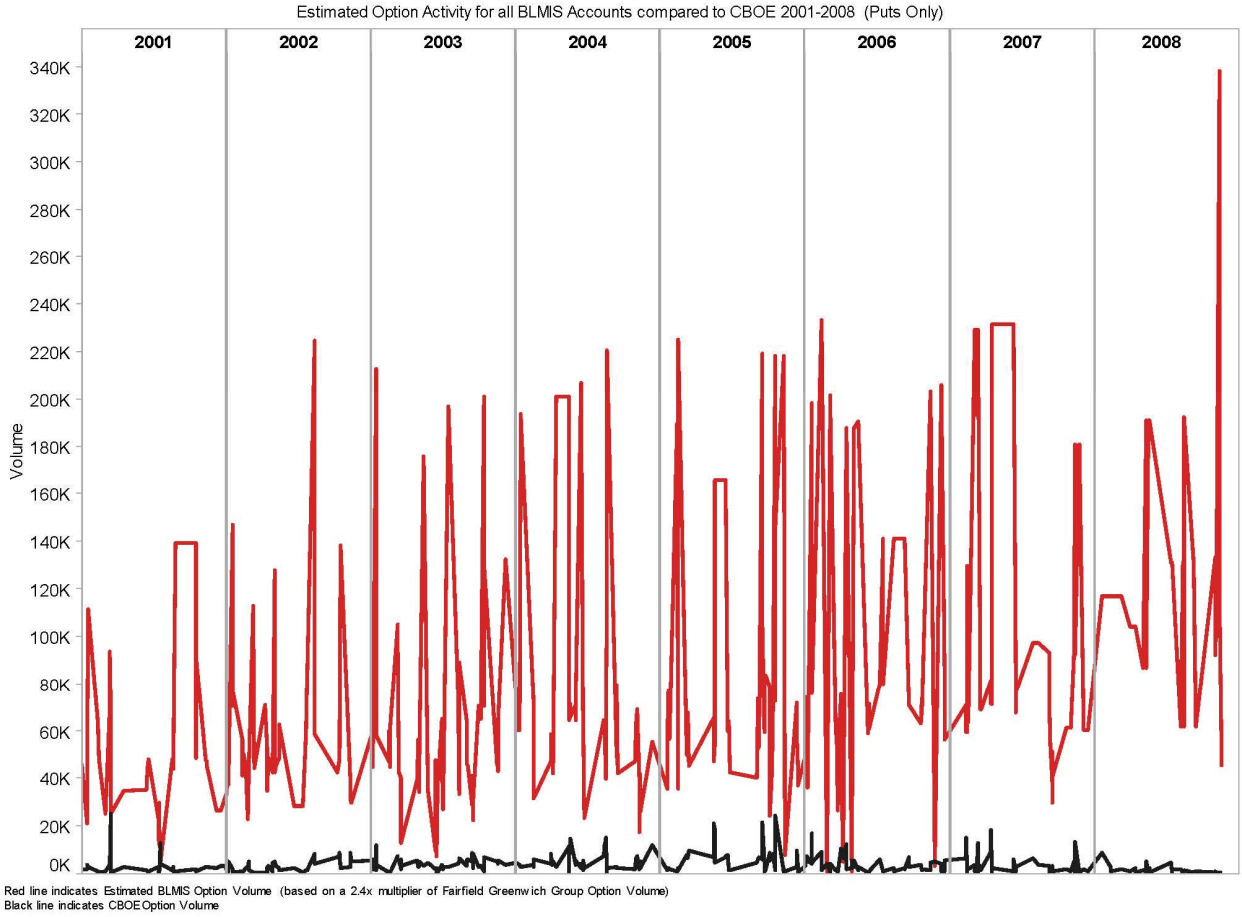


Red line indicates FGG's Option Volume (Sentry, Greenwich Sentry, L.P. and Greenwich Sentry Partners, L.P. combined)
Black line indicates CBOE Option Volume

The volume of OEX put options BLMIS purported to trade on behalf of FGG (the red line) completely dwarfs the volume of OEX put options traded on the entire CBOE (the black line).

141. Citi knew, or should have known, that BLMIS purported to allocate trades to all BLMIS IA Business customers on a pro-rata basis, and that Sentry alone was approximately 40% of the total IA Business (in terms of assets under management). Through an easy extrapolation, Citi had a clear picture of BLMIS's options trading volumes for all customers based on its knowledge of Sentry's trading volume – *i.e.*, 2.5 times Sentry's volume equaled the total BLMIS customer volume.

142. As shown below, the volumes of OEX put options BLMIS purportedly traded on behalf of all its customers (the red line) reveals there was rarely, if ever, a time when BLMIS traded fewer OEX put options than were actually traded on the CBOE (the black line).



143. As a sophisticated trader, Citi also should have known that there is always less liquidity in OTC markets than on exchanges. Accordingly, if Madoff's reported options volumes exceeded the CBOE's capacity, there was virtually no chance that the OTC market could support the options trading volumes Madoff reported.

144. Citi also knew or should have known that trading options in the OTC market would likely have been more expensive than trading on the CBOE. A simple review of Sentry's BLMIS account statements would have revealed that this alleged cost did not appear to be on the account statements. The absence of such costs, together with reported trading at impossible volumes of options in the OTC market, were clearly signs of possible fraudulent trading activity at BLMIS.

145. **Unidentified Options Counterparties**: Citi also knew or should have known that fraud was a possibility due to the absence of any identification of Madoff's purported OTC option counterparties and the lack of any evidence in the marketplace of anyone trading with Madoff.

146. In the OTC marketplace, where Citi knew Madoff claimed he was trading options, each transaction requires a private contract between the two parties. Madoff refused, however, to identify the options counterparties, and the trade confirmations did not identify them. By not disclosing the alleged options counterparties, Madoff prevented his clients from dealing directly with their counterparties. Madoff sometimes stated that the counterparties supposedly were 8-12 large European financial institutions.

147. With the massive purported volume of BLMIS's options trades, there were only a limited number of institutions worldwide that could have satisfied Madoff's trading requirements. Upon information and belief, Citi, operating in Europe, regularly communicated

with many large European financial institutions – the alleged options trading counterparties. Despite its regular contacts with institutions that fit Madoff's options counterparty profile, upon information and belief, Citi never asked any of these institutions if they were trading options with Madoff, and Citi never saw any evidence of any trading by them.

148. Even if Madoff had actually transacted billions of dollars worth of OTC options trades with undisclosed European counterparties, those entities would have needed to hedge their risks by entering into other offsetting options or futures contracts. The most likely place to enter into such options contracts was the CBOE. Citi, however, never saw any evidence of Madoff's alleged options counterparties laying off their exposure to BLMIS's customers by entering into opposite and offsetting options contracts on the CBOE because no such trades ever occurred.

149. **No Market Impact**: Citi also knew or should have known that Madoff's alleged trades could not be legitimately accomplished without any impact on the price of the securities bought and sold, without any market footprint, and without anyone in the industry knowing or even hearing about Madoff's alleged trading activity.

150. The SSC Strategy marketed by Madoff involved moving money into the market over the course of one or more days, and then selling off all of those securities over a similar time span. Therefore, throughout the years, tens of billions of dollars would have moved into and then out of the U.S. stock and options markets over the course of just a few days, six-to-ten times a year. Sales of tens of billions of dollars of stocks in a short period of time would have resulted in decreased prices of those stocks, cutting into the alleged profits from the sales of such stock. Further, when Madoff exited the market, he claimed to have placed his customers' assets in Treasurys or mutual funds invested in Treasurys. The movement of tens of billions of dollars in and out of the market should have materially affected the price of Treasurys. The lack of any

impact on the markets by Madoff's purported trading was yet another red flag of possible fraud at BLMIS.

151. **Strip Mall Auditor**: Citi also knew or should have known that Madoff's auditor was not legitimate and independent, nor reasonably capable of performing the required domestic and international auditing functions for Madoff. BLMIS, which had tens of billions of dollars under management, was audited not by one of the major audit firms, but by Friehling & Horowitz CPAs P.C., an accounting "firm" of three employees, including a secretary and a (semi-retired) certified public accountant living in Florida. F&H's offices were located in a strip mall in suburban Rockland County, New York. The size and qualifications of F&H and the nature of the services they provided were readily accessible to Citi.

152. Citi knew or should have known that all accounting firms that perform audit work must enroll in the American Institute of Certified Public Accountants' ("AICPA") peer review program. This program involves having experienced auditors assess a firm's audit quality each year. The results of these peer reviews are on public file with the AICPA. F&H never appeared on the public peer review list because Friehling had notified the AICPA he did not perform audits. F&H's absence on the list was another major red flag of possible fraud at BLMIS.

153. No experienced investment professional could have reasonably believed it possible for any firm such as F&H to have competently and independently audited an entity the size of BLMIS. Simple investigation would have confirmed F&H's inability to properly audit and certify BLMIS's accounting records.

154. Such a simple investigation is exactly what Aksia, LLC ("Aksia"), an independent hedge fund research and advisory firm, did when it sent an investigator to F&H's office. What Aksia discovered was a simple office with what appeared to be a few chairs, a reception desk,

one office and a conference table. Further, F&H's neighbors told Aksia's investigator that the office did not have regular hours. Having determined that it was hardly a facility from which one would expect the auditor of a multi-billion dollar fund to operate, Aksia advised its clients against investing with BLMIS, Madoff or any of his feeder funds.

155. **Unusual Fee Structure**: Additionally, Citi was on notice that the fee structure between Madoff and the Madoff Feeder Funds was atypical of the hedge fund industry and was a red flag of potential fraud at BLMIS. Unlike with most hedge fund managers – and for all practical purposes the BLMIS IA Business was run like a hedge fund – Madoff did not charge investors any management or performance fees, which was standard in the hedge fund industry. Madoff purported to be satisfied with simply earning the trading commissions of 4¢ per share of stock and $1 per option traded. By not charging the typical hedge fund management and performance fees, Madoff allowed his feeder funds to charge those fees to their investors. Of course, the Madoff Feeder Funds were happy to make hundreds of millions of dollars for essentially doing nothing more than bringing in new money to feed Madoff's Ponzi scheme.

156. Other industry professionals with less access to information on Madoff than Citi realized that Madoff's highly unusual fee structure was a serious red flag of possible fraud. In fact, London due diligence firm Albourne Partners ("Albourne") recognized that by not charging management or performance fees for his services, Madoff left hundreds of millions of dollars of money on the table each year. Identifying this as a red flag of possible fraud, Albourne urged its clients to avoid Madoff-related funds. Citi likewise should have been aware of this red flag of possible fraud at BLMIS.

157. **No Segregation of Assets**: Citi also knew or should have known that accounts at BLMIS were not segregated, and therefore not subject to independent verification. Adequate

segregation allows independent checks and balances throughout the trading cycle, the movement of cash and the custody process, and is a fundamental area of inquiry for those performing independent and reasonable due diligence on investment managers. The absence of such segregation was a red flag of potential fraud.

158. **Lack of Independent Verification That The Assets Existed**: Citi knew that BLMIS functioned as investment advisor, prime broker and the "in-fact" custodian of the purported securities. This structure – unusual for the hedge-fund industry – eliminated a key check and balance in investment management by excluding an independent custodian of securities from the process. This lack of independence over custody furthered BLMIS's lack of transparency.

159. By functioning in so many roles, BLMIS had no segregation between those who were responsible for trading and those who were responsible for recording trade activities, nor was there segregation of signing authority and authority over cash and securities transfers, deposits and withdrawals. This was a clear conflict of interest and the complete lack of segregation of duties was on its face a red flag of possible fraud identified by numerous other industry professionals who performed basic due diligence on Madoff.

160. **Improbable Returns**: Citi knew or should have known that BLMIS produced returns that were simply too good to be true, reflecting a pattern of abnormal profitability, both in terms of consistency and in amounts that were simply not credible. Returns this good could not be reproduced by other skilled hedge fund managers, and those managers who attempted to employ the split-strike conversion strategy purportedly used by BLMIS consistently failed even to approximate its results. Such returns would have required Madoff to perfectly time the market

for over 20 years. Numerous industry professionals viewed Madoff's alleged perfect timing based on market flow as indicative of illegitimate and illegal trading activity.

161. Madoff's trading purportedly involved the purchase of a basket of 30 to 40 S&P 100 stocks, highly correlated to the S&P 100 Index, the sale of out-of-the-money calls on the index and the purchase of out-of-the-money puts on the index. The sale of the calls was designed to increase the rate of return, while allowing upward movement of the stock portfolio to the strike price of the calls. The puts, funded in large part by the sale of the calls, limited the portfolio's downside. The SSC Strategy, in effect, created a collar around the investment, limiting its upside while at the same time protecting against a sharp decline in market prices. By design, Madoff's returns should have been highly correlated to the performance of the S&P 100 Index which they were not. Citi had access to this date.

162. For example, the Sentry Monthly Tear Sheets included the following rates of returns:

Year	Sentry Rate of Return
1990	2.77%
1991	17.64%
1992	13.72%
1993	10.75%
1994	10.57%
1995	12.04%
1996	12.08%
1997	13.10%
1998	12.52%
1999	13.29%
2000	**10.67%**
2001	**9.82%**
2002	**8.43%**
2003	7.27%
2004	6.44%
2005	**7.26%**
2006	9.38%

2007	7.34%
2008[4]	**4.50%**

163. When reviewed side-by-side with returns for the S&P 100 Index, the Sentry Monthly Tear Sheets showed that Sentry was immune from any number of market catastrophes, enjoying steady rates of return at times when the rest of the market was experiencing financial crises. As shown below, Sentry and BLMIS maintained consistent and seemingly impossible positive rates of return during events that otherwise devastated the S&P 100. In fact, between 1996 and 2008, Sentry and its sister fund, Sigma, did not experience a single quarter of negative returns.

Year	Sentry Rate of Return	S&P 100 Rate of Return
1990	2.77%	(5.74%)
1991	17.64%	24.19%
1992	13.72%	2.87%
1993	10.75%	8.28%
1994	10.57%	(0.19%)
1995	12.04%	36.69%
1996	12.08%	22.88%
1997	13.10%	27.677%
1998	12.52%	31.33%
1999	13.29%	31.26%
2000	**10.67%**	(13.42%)
2001	**9.82%**	(14.88%)
2002	**8.43%**	(23.88%)
2003	7.27%	23.84%
2004	6.44%	4.45%
2005	**7.26%**	(0.92%)
2006	9.38%	15.86%
2007	7.34%	3.82%
2008[5]	**4.50%**	(32.30%)

[4] Through October 2008.

[5] Through October 2008.

164. For example, during the burst of the dotcom "bubble" in 2000, the September 11, 2001 terrorist attack, and the recession and housing crisis of 2008, Sentry purported to produce positive returns, outperforming the S&P 100 by 20 to 40 percent in each instance where the S&P 100 suffered double-digit losses.

165. Additionally, BLMIS continued to generate a purported positive return on investments even during the last 14 months of BLMIS's existence. Namely, in November 2008, the S&P 100 was down precipitously, yet Madoff showed positive returns. Citi knew or should have known that these results were simply not credible.

166. **Paper Confirmations**: Citi also blindly accepted Madoff's and the feeder funds' explanation for why Madoff issued paper trade confirmations mailed out days after trades purportedly occurred. It was well known in the securities industry that Madoff was purportedly a pioneer in electronic over-the-counter trading mechanisms, but in the BLMIS IA Business, Madoff provided his customers with only paper information. Madoff issued delayed paper tickets in order to hide the fact that he was backdating his trades (so that he could pretend that they were always profitable). Madoff forged these phony confirmations already knowing the movements of the market.

* * *

167. Citi failed to properly respond to these clear red flags of possible fraudulent activity at BLMIS. Additionally, the due diligence performed by Citi both before and after its Madoff Feeder Fund investments was not reasonable, independent or adequate in light of the red flags concerning Madoff that Citi had previously identified.

168. Citi had the motive to consciously or recklessly disregard possible fraud at BLMIS. Citi's motivation to turn a blind eye to the numerous indicia of illegitimate trading

activity and fraud included the receipt of substantial fees in relation to Auriga swap and Prime Fund loan. Citi was further motivated to disregard possible fraud at BLMIS because of Madoff's high, consistent annual returns of 11-16%. Citi knew, and were on notice of, numerous irregularities and problems concerning the trades reported by BLMIS, and strategically chose to ignore them.

169. Citi had a unique opportunity to gain access to extensive information about the operations of BLMIS, by virtue of its relationships with the Madoff Feeder Funds. In this capacity, Citi was an important and necessary investor to the feeder funds, which, in turn, enabled Citi to obtain information that other investors were denied.

VII. THE TRANSFERS

A. INITIAL TRANSFERS FROM BLMIS TO PRIME FUND

170. The Trustee has filed an action against Prime Fund in the Tremont Complaint to avoid and recover the Prime Fund Initial Transfers of BLMIS Customer Property. Moreover, the Trustee incorporates by reference the allegations contained in the Tremont Complaint as if fully rewritten herein. A chart showing the initial transfers the Trustee seeks to avoid in the Tremont Complaint is attached hereto as Exhibit A, and a summary chart showing the initial transfers the Trustee seeks to avoid in the Tremont Complaint is attached hereto as Exhibit B.

171. Prime Fund invested approximately $799 million with BLMIS through 69 separate transfers via check and wire directly into BLMIS's JPMorgan Chase bank account.

172. During the six years preceding the Filing Date, BLMIS made transfers to Prime Fund of approximately $945 million (the "Prime Fund Six Year Initial Transfers"). *See* Exhibits A and B. The Prime Fund Six Year Initial Transfers were and continue to be Customer Property within the meaning of SIPA § 78*lll*(4) and are avoidable, should be avoided, and are recoverable

under sections 544, 550 and 551 of the Bankruptcy Code, applicable provisions of SIPA, particularly SIPA § 78fff-2(c)(3), and sections 273-279 of New York Debtor and Creditor Law.

173. The Six Year Initial Transfers include approximately $495 million that BLMIS transferred to Prime Fund during the two years preceding the Filing Date (the "Prime Fund Two-Year Initial Transfers"). *See* Exhibits A and B. The Prime Fund Two Year Initial Transfers were and continue to be Customer Property within the meaning of SIPA § 78*lll*(4) and are avoidable, should be avoided, and are recoverable under sections 548(a)(1), 550 and 551 of the Bankruptcy Code, and applicable provisions of SIPA, particularly SIPA § 78fff-2(c)(3).

B. SUBSEQUENT TRANSFERS FROM PRIME FUND TO CITIBANK OR CNAI

174. A sizeable portion of the money transferred from BLMIS to Prime Fund was subsequently transferred by Prime Fund to Citibank or CNAI, in an amount equal to approximately $300 million.

175. The Trustee has filed the Tremont Complaint against Prime Fund to avoid and recover the Prime Fund Two Year Initial Transfers and the Prime Fund Six Year Initial Transfers (collectively, the "Prime Fund Initial Transfers") pursuant to sections 544, 547, 548, 550 and 551 of the Bankruptcy Code and sections 273-279 of the New York Debtor and Creditor Law.

176. Some or all of the Prime Fund Initial Transfers were subsequently transferred either directly or indirectly to, or for the benefit of, Citibank or CNAI (collectively, the "Citibank Subsequent Transfers").

177. The Citibank Subsequent Transfers, or the value thereof, are recoverable from Citibank pursuant to section 550(a) of the Bankruptcy Code.

178. The portion of the Prime Fund Six Year Initial Transfers that Prime Fund subsequently transferred to Citibank or CNAI will be referred to as the "Citibank Six Year

Subsequent Transfers." A chart setting forth the presently known Citibank Six Year Subsequent Transfers is below.

Payment Date	Payee Name	Amount (USD)
03/25/08	Citibank or CNAI	$300,000,000.00

179. The portion of the Prime Fund Two Year Initial Transfers that Prime Fund subsequently transferred to Citibank or CNAI will be referred to as the "Citibank Two Year Subsequent Transfers." A chart setting forth the presently known Citibank Two Year Subsequent Transfers is below.

Payment Date	Payee Name	Amount (USD)
03/25/08	Citibank or CNAI	$300,000,000.00

180. To the extent that any of the recovery counts may be inconsistent with each other, they are to be treated as being pled in the alternative.

181. The Trustee's investigation is on-going and the Trustee reserves the right to (i) supplement the information on the Prime Fund Initial Transfers, Citibank Two Year and Citibank Six Year Subsequent Transfers and any additional transfers, and (ii) seek recovery of such additional transfers.

C. INITIAL TRANSFERS FROM BLMIS TO SENTRY

182. The Trustee has filed an action against Sentry to avoid and recover initial transfers of BLMIS Customer Property. The Trustee incorporates by reference the allegations contained in the Fairfield Amended Complaint as if fully rewritten herein. A chart showing the initial transfers the Trustee seeks to avoid in the Fairfield Amended Complaint is attached hereto as Exhibit C, and a summary chart showing the initial transfers the Trustee seeks to avoid in the

Fairfield Amended Complaint is attached hereto as Exhibit D.

183. Sentry invested approximately $4.2 billion with BLMIS through numerous separate transfers via check and wire directly into BLMIS's JPMorgan Chase bank account.

184. During the six years preceding the Filing Date, BLMIS made transfers to Sentry of approximately $3 billion (the "Sentry Six Year Initial Transfers"). *See* Exhibits C and D. The Sentry Six Year Initial Transfers were and continue to be Customer Property within the meaning of SIPA § 78*lll*(4) and are avoidable, should be avoided, and are recoverable under sections 544, 550, and 551 of the Bankruptcy Code, applicable provisions of SIPA, particularly SIPA § 78fff-2(c)(3), and sections 273-279 of New York Debtor and Creditor Law.

185. The Sentry Six Year Initial Transfers include approximately $1.6 billion that BLMIS transferred to Sentry during the two years preceding the Filing Date (the "Sentry Two Year Initial Transfers"). *See* Exhibits C and D. The Sentry Two Year Initial Transfers were and continue to be Customer Property within the meaning of SIPA § 78*lll*(4) and are avoidable, should be avoided, and are recoverable under sections 548(a)(1), 550, and 551 of the Bankruptcy Code, and applicable provisions of SIPA, particularly SIPA § 78fff-2(c)(3).

186. The Sentry Six Year Initial Transfers and Sentry Two Year Initial Transfers include $1.2 billion which BLMIS transferred to Sentry during the 90 days preceding the Filing Date (the "Sentry Preference Period Initial Transfers"). *See* Exhibits C and D. The Sentry Preference Period Initial Transfers were and are Customer Property within the meaning of SIPA § 78*lll*(4) and are avoidable, should be avoided, and are recoverable under sections 547, 550, and 551 of the Bankruptcy Code, and applicable provisions of SIPA, particularly SIPA § 78fff-2(c)(3).

D. SUBSEQUENT TRANSFERS FROM SENTRY TO CGML

187. A sizeable portion of the money transferred from BLMIS to Sentry was

subsequently transferred by Sentry to CGML, in an amount equal to approximately $130 million.

188. The Trustee has filed the Fairfield Amended Complaint against Sentry to avoid and recover the Sentry Preference Period Initial Transfers, the Sentry Two Year Initial Transfers and the Sentry Six Year Initial Transfers (collectively, the "Sentry Initial Transfers") pursuant to sections 544, 547, 548, 550 and 551 of the Bankruptcy Code and sections 273-279 of the New York Debtor and Creditor Law.

189. Some or all of the Sentry Initial Transfers were subsequently transferred either directly or indirectly to, or for the benefit of, CGML (collectively, the "CGML Subsequent Transfers").

190. The CGML Subsequent Transfers, or the value thereof, are recoverable from CGML pursuant to section 550 of the Bankruptcy Code.

191. The portion of the Sentry Six Year Initial Transfers that Sentry subsequently transferred to CGML will be referred to as the "CGML Six Year Subsequent Transfers." A chart setting forth the presently known CGML Six Year Subsequent Transfers is below.

Valuation Date	Payment Date	Payee Name	Account Name	Amount (USD)
09/30/05	10/14/05	Citibank Global Markets Limited	Citibank Global Markets Limited	$30,000,000.00
03/31/08	04/14/08	Citibank Global Markets Limited	Citibank Global Markets Limited	$60,000,000.00
10/31/08	11/19/08	Citibank Global Markets Limited	Citibank Global Markets Limited	$40,000,000.00

192. The portion of the Sentry Two Year Initial Transfers that Sentry subsequently transferred to CGML will be referred to as the "CGML Two Year Subsequent Transfers." A chart setting forth the presently known CGML Two Year Subsequent Transfers is below.

Valuation Date	Payment Date	Payee Name	Account Name	Amount (USD)
03/31/08	04/14/08	Citibank Global Markets Limited	Citibank Global Markets Limited	$60,000,000.00
10/31/08	11/19/08	Citibank Global Markets Limited	Citibank Global Markets Limited	$40,000,000.00

193. The portion of the Sentry Preference Period Initial Transfers that Sentry subsequently transferred to CGML will be referred to as the "CGML Preference Period Subsequent Transfers." A chart setting forth the presently known CGML Preference Period Subsequent Transfers is below.

Valuation Date	Payment Date	Payee Name	Account Name	Amount (USD)
10/31/08	11/19/08	Citibank Global Markets Limited	Citibank Global Markets Limited	$40,000,000.00

194. To the extent that any of the recovery counts may be inconsistent with each other, they are to be treated as being pled in the alternative.

195. The Trustee's investigation is on-going and the Trustee reserves the right to (i) supplement the information on the Sentry Initial Transfers, CGML Preference Period, CGML Two Year and CGML Six Year Subsequent Transfers and any additional transfers, and (ii) seek recovery of such additional transfers.

COUNT ONE:
FRAUDULENT TRANSFER (SUBSEQUENT TRANSFEREE)
11 U.S.C. §§ 548(a)(1)(A), 550(a), AND 551

Against Citibank and CNAI

196. The Trustee incorporates by reference the allegations contained in the previous paragraphs of this Complaint as if fully rewritten herein.

197. The Prime Fund Two Year Transfers were made on or within two years before the Filing Date.

198. Each of the Prime Fund Two Year Initial Transfers constituted a transfer of an interest of BLMIS in property within the meaning of sections 101(54) and 548(a) of the Bankruptcy Code and pursuant to SIPA § 78fff-2(c)(3).

199. Each of the Prime Fund Two Year Initial Transfers was made by BLMIS with the actual intent to hinder, delay or defraud some or all of BLMIS' then existing or future creditors. BLMIS made the Prime Fund Two Year Initial Transfers to or for the benefit of the Prime Fund in furtherance of a fraudulent investment scheme.

200. Each of the Prime Fund Two Year Initial Transfers constitutes a fraudulent transfer avoidable by the Trustee pursuant to section 548(a)(1)(A) of the Bankruptcy Code and recoverable from Prime Fund pursuant to section 550(a) of the Bankruptcy Code and SIPA § 78fff-(2)(c)(3).

201. The Trustee has filed a lawsuit against Prime Fund to avoid the Prime Fund Two Year Initial Transfers pursuant to section 548(a)(1)(A) of the Bankruptcy Code, and to recover the Prime Fund Two Year Initial Transfers, or the value thereof, from Prime Fund pursuant to section 550(a) of the Bankruptcy Code and SIPA § 78fff-2(c)(3).

202. Citibank or CNAI was an immediate or mediate transferee of some portion of the Prime Fund Two Year Initial Transfers (the "Citibank Two Year Subsequent Transfers") pursuant to section 550(a) of the Bankruptcy Code.

203. Each of the Citibank Two Year Subsequent Transfers was made directly or indirectly to, or for the benefit of, Citibank or CNAI.

204. As a result of the foregoing, the Trustee is entitled to a judgment pursuant to sections 548(a)(1)(A), 550(a), and 551 of the Bankruptcy Code and SIPA § 78fff-2(c)(3)

recovering the Citibank Two Year Subsequent Transfers, or the value thereof, from Citibank or CNAI for the benefit of the estate.

COUNT TWO:
FRAUDULENT TRANSFER (SUBSEQUENT TRANSFEREE)
11 U.S.C. §§ 548(a)(1)(B), 550(a), AND 551

Against Citibank and CNAI

205. The Trustee incorporates by reference the allegations contained in the previous paragraphs of this Complaint as if fully rewritten herein.

206. The Prime Fund Two Year Initial Transfers were made on or within two years before the Filing Date.

207. Each of the Prime Fund Two Year Initial Transfers constituted a transfer of an interest of BLMIS in property within the meaning of sections 101(54) and 548(a) of the Bankruptcy Code and pursuant to SIPA § 78fff-2(c)(3).

208. BLMIS received less than a reasonably equivalent value in exchange for each of the Prime Fund Two Year Initial Transfers.

209. At the time of each of the Prime Fund Two Year Initial Transfers, BLMIS was insolvent, or became insolvent as a result of each of the Prime Fund Two Year Initial Transfers.

210. At the time of each of the Prime Fund Two Year Initial Transfers, BLMIS was engaged in a business or a transaction, or was about to engage in a business or a transaction, for which any property remaining with BLMIS was an unreasonably small capital.

211. At the time of each of the Prime Fund Two Year Initial Transfers, BLMIS intended to incur, or believed that it would incur, debts that would be beyond BLMIS's ability to pay as such debts matured.

212. Each of the Prime Fund Two Year Initial Transfers constitute a fraudulent transfer avoidable by the Trustee pursuant to section 548(a)(1)(B) of the Bankruptcy Code and

recoverable from Prime Fund pursuant to section 550(a) of the Bankruptcy Code and SIPA § 78fff-(2)(c)(3).

213. The Trustee has filed a lawsuit against Prime Fund to avoid the Prime Fund Two Year Initial Transfers pursuant to section 548(a)(1)(B) of the Bankruptcy Code, and to recover the Prime Fund Two Year Initial Transfers, or the value thereof, from Prime Fund pursuant to section 550(a) of the Bankruptcy Code and SIPA § 78fff-2(c)(3).

214. Citibank or CNAI was an immediate or mediate transferee of some portion of the Prime Fund Two Year Initial Transfers pursuant to section 550(a) of the Bankruptcy Code.

215. Each of the Citibank Two Year Subsequent Transfers was made directly or indirectly to, or for the benefit of, Citibank or CNAI.

216. As a result of the foregoing, the Trustee is entitled to a judgment pursuant to sections 548(a)(1)(B), 550(a), and 551 of the Bankruptcy Code and SIPA § 78fff-2(c)(3) recovering the Citibank Two Year Subsequent Transfers, or the value thereof, from Citibank or CNAI for the benefit of the estate.

COUNT THREE:
FRAUDULENT TRANSFER (SUBSEQUENT TRANSFEREE)
NEW YORK DEBTOR AND CREDITOR LAW §§ 276, 276-a, 278 AND/OR 279, AND 11 U.S.C. §§ 544, 550(a), AND 551

Against Citibank and CNAI

217. The Trustee incorporates by reference the allegations contained in the previous paragraphs of this Complaint as if fully rewritten herein.

218. At all times relevant to the Prime Fund Six Year Initial Transfers, there have been one or more creditors who have held and still hold matured or unmatured unsecured claims against BLMIS that were and are allowable under section 502 of the Bankruptcy Code or that were and are not allowable only under section 502(e).

219. Each of the Prime Fund Six Year Initial Transfers constituted a conveyance by BLMIS as defined under DCL section 270.

220. The Prime Fund Six Year Initial Transfers were made by BLMIS with the actual intent to hinder, delay, or defraud the creditors of BLMIS. BLMIS made the Prime Fund Six Year Initial Transfers to or for the benefit of the Prime Fund in furtherance of a fraudulent investment scheme.

221. Each of the Prime Fund Six Year Initial Transfers was received by Prime Fund with actual intent to hinder, delay or defraud creditors of BLMIS at the time of each of the Prime Fund Six Year Initial Transfers, and/or future creditors of BLMIS.

222. The Trustee has filed a lawsuit against Prime Fund to avoid the Prime Fund Six Year Initial Transfers pursuant to section 544 of the Bankruptcy Code, and sections 276, 276-a, 278, and/or 279 of the New York Debtor and Creditor Law, and to recover the Prime Fund Six Year Initial Transfers, or the value thereof, and attorneys' fees from Prime Fund pursuant to section 550(a) of the Bankruptcy Code and SIPA § 78fff-2(c)(3).

223. Citibank or CNAI as an immediate or mediate transferee of some portion of the Prime Fund Six Year Initial Transfers (the "Citibank Six Year Subsequent Transfers") pursuant to section 550(a) of the Bankruptcy Code.

224. Each of the Citibank Six Year Subsequent Transfers was received by Citibank or CNAI with actual intent to hinder, delay or defraud creditors of BLMIS at the time of each of the Citibank Six Year Subsequent Transfers, and/or future creditors of BLMIS.

225. Each of the Citibank Six Year Subsequent Transfers was made directly or indirectly to, or for the benefit of, Citibank or CNAI.

226. As a result of the foregoing, the Trustee is entitled to a judgment pursuant to sections 276, 276-a, 278, and/or 279 of the New York Debtor and Creditor Law, sections 544(b), 550(a), and 551 of the Bankruptcy Code, and SIPA § 78fff-2(c)(3) recovering the Citibank Six Year Subsequent Transfers, or the value thereof, and attorneys' fees from Citibank or CNAI for the benefit of the estate.

COUNT FOUR:
FRAUDULENT TRANSFER (SUBSEQUENT TRANSFEREE)
NEW YORK DEBTOR AND CREDITOR LAW §§ 273 AND 278
AND/OR 279, AND 11 U.S.C. §§ 544, 550(a), AND 551

Against Citibank and CNAI

227. The Trustee incorporates by reference the allegations contained in the previous paragraphs of this Complaint as if fully rewritten herein.

228. At all times relevant to the Prime Fund Six Year Initial Transfers, there have been one or more creditors who have held and still hold matured or unmatured unsecured claims against BLMIS that were and are allowable under section 502 of the Bankruptcy Code or that were and are not allowable only under section 502(e).

229. Each of the Prime Fund Six Year Initial Transfers constituted a conveyance by BLMIS as defined under DCL section 270.

230. BLMIS did not receive fair consideration for the Prime Fund Six Year Initial Transfers.

231. BLMIS was insolvent at the time it made each of the Prime Fund Six Year Initial Transfers or, in the alternative, BLMIS became insolvent as a result of each of the Prime Fund Six Year Initial Transfers.

232. The Trustee has filed a lawsuit against Prime Fund to avoid the Prime Fund Six Year Initial Transfers pursuant to section 544 of the Bankruptcy Code, and sections 273, 278,

and/or 279 of the New York Debtor and Creditor Law, and to recover the Prime Fund Six Year Initial Transfers, or the value thereof, from Prime Fund pursuant to section 550(a) of the Bankruptcy Code and SIPA § 78fff-2(c)(3).

233. Citibank or CNAI was an immediate or mediate transferee of some portion of the Prime Fund Six Year Initial Transfers pursuant to section 550(a) of the Bankruptcy Code.

234. Each of the Citibank Six Year Subsequent Transfers was made directly or indirectly to, or for the benefit of, Citibank or CNAI.

235. As a result of the foregoing, the Trustee is entitled to a judgment pursuant to sections 273, 278, and/or 279 of the New York Debtor and Creditor Law, sections 544(b), 550(a), and 551 of the Bankruptcy Code, and SIPA § 78fff-2(c)(3) recovering the Citibank Six Year Subsequent Transfers, or the value thereof, from Citibank or CNAI for the benefit of the estate.

COUNT FIVE:
FRAUDULENT TRANSFERS (SUBSEQUENT TRANSFEREE)
NEW YORK DEBTOR AND CREDITOR LAW §§ 274, 278, AND/OR 279, AND 11 U.S.C. §§ 544, 550(a), AND 551

Against Citibank and CNAI

236. The Trustee incorporates by reference the allegations contained in the previous paragraphs of this Complaint as if fully rewritten herein.

237. At all times relevant to the Prime Fund Six Year Initial Transfers, there have been one or more creditors who have held and still hold matured or unmatured unsecured claims against BLMIS that were and are allowable under section 502 of the Bankruptcy Code or that were and are not allowable only under section 502(e). Each of the Prime Fund Six Year Initial Transfers constituted a conveyance by BLMIS as defined under DCL section 270.

238. BLMIS did not receive fair consideration for the Prime Fund Six Year Initial Transfers.

239. At the time BLMIS made each of the Prime Fund Six Year Initial Transfers, BLMIS was engaged or was about to engage in a business or transaction for which the property remaining in its hands after each of the Prime Fund Six Year Initial Transfers was an unreasonably small capital.

240. The Trustee has filed a lawsuit against Prime Fund to avoid the Prime Fund Six Year Initial Transfers pursuant to section 544 of the Bankruptcy Code, and sections 274, 278, and/or 279 of the New York Debtor and Creditor Law, and to recover the Prime Fund Six Year Initial Transfers, or the value thereof, from Prime Fund pursuant to section 550(a) of the Bankruptcy Code and SIPA § 78fff-2(c)(3).

241. Citibank or CNAI was an immediate or mediate transferee of some portion of the Prime Fund Six Year Initial Transfers pursuant to section 550(a) of the Bankruptcy Code.

242. Each of the Citibank Six Year Subsequent Transfers was made directly or indirectly to, or for the benefit of, Citibank or CNAI.

243. As a result of the foregoing, the Trustee is entitled to a judgment pursuant to sections 274, 278, and/or 279 of the New York Debtor and Creditor Law, sections 544(b), 550(a), and 551 of the Bankruptcy Code, and SIPA § 78fff-2(c)(3) recovering the Citibank Six Year Subsequent Transfers, or the value thereof, from Citibank or CNAI for the benefit of the estate.

COUNT SIX:
FRAUDULENT TRANSFERS (SUBSEQUENT TRANSFEREE)
NEW YORK DEBTOR AND CREDITOR LAW §§ 275, 278,
AND/OR 279, AND 11 U.S.C. §§ 544, 550(a), AND 551

Against Citibank and CNAI

244. The Trustee incorporates by reference the allegations contained in the previous paragraphs of this Complaint as if fully rewritten herein.

245. At all times relevant to the Prime Fund Six Year Initial Transfers, there have been one or more creditors who have held and still hold matured or unmatured unsecured claims against BLMIS that were and are allowable under section 502 of the Bankruptcy Code or that were and are not allowable only under section 502(e).

246. Each of the Prime Fund Six Year Initial Transfers constituted a conveyance by BLMIS as defined under DCL section 270.

247. BLMIS did not receive fair consideration for the Prime Fund Six Year Initial Transfers.

248. At the time BLMIS made each of the Prime Fund Six Year Initial Transfers, BLMIS had incurred, was intending to incur, or believed that it would incur debts beyond its ability to pay them as the debts matured.

249. The Trustee has filed a lawsuit against Prime Fund to avoid the Prime Fund Six Year Initial Transfers pursuant to section 544 of the Bankruptcy Code, and sections 275, 278, and/or 279 of the New York Debtor and Creditor Law, and to recover Prime Fund Six Year Initial Transfers, or the value thereof, from Prime Fund pursuant to section 550(a) of the Bankruptcy Code and SIPA § 78fff-2(c)(3).

250. Citibank or CNAI was an immediate or mediate transferee of some portion of the Prime Fund Six Year Initial Transfers pursuant to section 550(a) of the Bankruptcy Code.

251. Each of the Citibank Six Year Subsequent Transfers was made directly or indirectly to, or for the benefit of, Citibank or CNAI.

252. As a result of the foregoing, the Trustee is entitled to a judgment pursuant to sections 275, 278, and/or 279 of the New York Debtor and Creditor Law, sections 544(b), 550(a), and 551 of the Bankruptcy Code, and SIPA § 78fff-2(c)(3) recovering the Citibank Six Year Subsequent Transfers, or the value thereof, from Citibank or CNAI for the benefit of the estate.

COUNT SEVEN:
PREFERENTIAL TRANSFERS (SUBSEQUENT TRANSFEREE)
11 U.S.C. §§ 547(b), 550(a), AND 551

Against CGML

253. The Trustee incorporates by reference the allegations contained in the previous paragraphs of this Complaint as if fully rewritten herein.

254. At the time of each of the Sentry Preference Period Initial Transfers, Sentry was a "creditor" of BLMIS within the meaning of section 101(10) of the Bankruptcy Code and pursuant to SIPA § 78fff-2(c)(3).

255. Each of the Sentry Preference Period Initial Transfers constitutes a transfer of an interest of BLMIS in property within the meaning of section 101(54) of the Bankruptcy Code and pursuant to SIPA § 78fff-2(c)(3).

256. Each of the Sentry Preference Period Initial Transfers was to, or for the benefit of, Sentry.

257. Each of the Sentry Preference Period Initial Transfers was made for, or on account of, an antecedent debt owed by BLMIS to Sentry before such transfer was made.

258. Each of the Sentry Preference Period Initial Transfers was made while BLMIS was insolvent.

259. Each of the Sentry Preference Period Initial Transfers was made during the 90-day preference period under section 547(b)(4) of the Bankruptcy Code.

260. Each of the Sentry Preference Period Initial Transfers enabled Sentry to receive more than it would receive if: (i) this case was a case under chapter 7 of the Bankruptcy Code; (ii) the transfers had not been made; and (iii) such transferee received payment of such debt to the extent provided by the provisions of the Bankruptcy Code.

261. Each of the Sentry Preference Period Initial Transfers constitutes a preferential transfer avoidable by the Trustee pursuant to section 547(b) of the Bankruptcy Code.

262. The Trustee has filed a lawsuit against Sentry to avoid the Sentry Preference Period Initial Transfers pursuant to section 547(b) of the Bankruptcy Code, and to recover the Sentry Preference Period Initial Transfers, or the value thereof, from Sentry pursuant to section 550(a) of the Bankruptcy Code.

263. Upon information and belief, CGML was an immediate or mediate transferee of some portion of the Sentry Preference Period Initial Transfers pursuant to section 550(a) of the Bankruptcy Code (the "CGML Preference Period Subsequent Transfers").

264. Each of the CGML Preference Period Subsequent Transfers was made directly or indirectly to, or for the benefit of, CGML.

265. As a result of the foregoing, pursuant to sections 547(b), 550(a), and 551 of the Bankruptcy Code and SIPA § 78fff-2(c)(3), the Trustee is entitled to a judgment recovering the CGML Preference Period Subsequent Transfers, or the value thereof, from CGML for the benefit of the estate of BLMIS.

COUNT EIGHT:
FRAUDULENT TRANSFER (SUBSEQUENT TRANSFEREE)
11 U.S.C. §§ 548(a)(1)(A), 550(a), AND 551

Against CGML

266. The Trustee incorporates by reference the allegations contained in the previous paragraphs of this Complaint as if fully rewritten herein.

267. The Sentry Two Year Transfers were made on or within two years before the Filing Date.

268. Each of the Sentry Two Year Initial Transfers constituted a transfer of an interest of BLMIS in property within the meaning of sections 101(54) and 548(a) of the Bankruptcy Code and pursuant to SIPA § 78fff-2(c)(3).

269. Each of the Sentry Two Year Initial Transfers was made by BLMIS with the actual intent to hinder, delay or defraud some or all of BLMIS' then existing or future creditors. BLMIS made the Sentry Two Year Initial Transfers to or for the benefit of the Sentry in furtherance of a fraudulent investment scheme.

270. Each of the Sentry Two Year Initial Transfers constitutes a fraudulent transfer avoidable by the Trustee pursuant to section 548(a)(1)(A) of the Bankruptcy Code and recoverable from Sentry pursuant to section 550(a) of the Bankruptcy Code and SIPA § 78fff-(2)(c)(3).

271. The Trustee has filed a lawsuit against Sentry to avoid the Sentry Two Year Initial Transfers, or the value thereof, pursuant to section 548(a)(1)(A) of the Bankruptcy Code, and to recover the Sentry Two Year Initial Transfers, or the value thereof, from Sentry pursuant to section 550(a) of the Bankruptcy Code and SIPA § 78fff-2(c)(3).

272. CGML was an immediate or mediate transferee of some portion of the Sentry Two Year Initial Transfers (the "CGML Two Year Subsequent Transfers") pursuant to section 550(a) of the Bankruptcy Code.

273. Each of the CGML Two Year Subsequent Transfers was made directly or indirectly to, or for the benefit of, CGML.

274. As a result of the foregoing, the Trustee is entitled to a judgment pursuant to sections 548(a)(1)(A), 550(a), and 551 of the Bankruptcy Code and SIPA § 78fff-2(c)(3) recovering the CGML Two Year Subsequent Transfers, or the value thereof, from CGML for the benefit of the estate.

COUNT NINE:
FRAUDULENT TRANSFER (SUBSEQUENT TRANSFEREE)
11 U.S.C. §§ 548(a)(1)(B), 550(a), AND 551

Against CGML

275. The Trustee incorporates by reference the allegations contained in the previous paragraphs of this Complaint as if fully rewritten herein.

276. The Sentry Two Year Initial Transfers were made on or within two years before the Filing Date.

277. Each of the Sentry Two Year Initial Transfers constituted a transfer of an interest of BLMIS in property within the meaning of sections 101(54) and 548(a) of the Bankruptcy Code and pursuant to SIPA § 78fff-2(c)(3).

278. BLMIS received less than a reasonably equivalent value in exchange for each of the Sentry Two Year Initial Transfers.

279. At the time of each of the Sentry Two Year Initial Transfers, BLMIS was insolvent, or became insolvent as a result of each of the Sentry Two Year Initial Transfers.

280. At the time of each of the Sentry Two Year Initial Transfers, BLMIS was engaged in a business or a transaction, or was about to engage in a business or a transaction, for which any property remaining with BLMIS was an unreasonably small capital.

281. At the time of each of the Sentry Two Year Initial Transfers, BLMIS intended to incur, or believed that it would incur, debts that would be beyond BLMIS's ability to pay as such debts matured.

282. Each of the Sentry Two Year Initial Transfers constitute a fraudulent transfer avoidable by the Trustee pursuant to section 548(a)(1)(B) of the Bankruptcy Code and recoverable from Sentry pursuant to section 550(a) of the Bankruptcy Code and SIPA § 78fff-(2)(c)(3).

283. The Trustee has filed a lawsuit against Sentry to avoid the Sentry Two Year Initial Transfers, or the value thereof, pursuant to section 548(a)(1)(B) of the Bankruptcy Code, and to recover the Sentry Two Year Initial Transfers, or the value thereof, from Sentry pursuant to section 550(a) of the Bankruptcy Code and SIPA § 78fff-2(c)(3).

284. CGML was an immediate or mediate transferee of some portion of the Sentry Two Year Initial Transfers pursuant to section 550(a) of the Bankruptcy Code.

285. Each of the CGML Two Year Subsequent Transfers was made directly or indirectly to, or for the benefit of, CGML.

286. As a result of the foregoing, the Trustee is entitled to a judgment pursuant to sections 548(a)(1)(B), 550(a), and 551 of the Bankruptcy Code and SIPA § 78fff-2(c)(3) recovering the CGML Two Year Subsequent Transfers, or the value thereof, from CGML for the benefit of the estate.

COUNT TEN:
FRAUDULENT TRANSFER (SUBSEQUENT TRANSFEREE)
NEW YORK DEBTOR AND CREDITOR LAW §§ 276, 276-a, 278 AND/OR 279, AND 11 U.S.C. §§ 544, 550(a), AND 551

Against CGML

287. The Trustee incorporates by reference the allegations contained in the previous paragraphs of this Complaint as if fully rewritten herein.

288. At all times relevant to the Sentry Six Year Initial Transfers, there have been one or more creditors who have held and still hold matured or unmatured unsecured claims against BLMIS that were and are allowable under section 502 of the Bankruptcy Code or that were and are not allowable only under section 502(e).

289. Each of the Sentry Six Year Initial Transfers constituted a conveyance by BLMIS as defined under DCL section 270.

290. The Sentry Six Year Initial Transfers were made by BLMIS with the actual intent to hinder, delay, or defraud the creditors of BLMIS. BLMIS made the Sentry Six Year Initial Transfers to or for the benefit of the Sentry in furtherance of a fraudulent investment scheme.

291. Each of the Sentry Six Year Initial Transfers was received by Sentry with actual intent to hinder, delay or defraud creditors of BLMIS at the time of each of the Sentry Six Year Initial Transfers, and/or future creditors of BLMIS.

292. The Trustee has filed a lawsuit against Sentry to avoid the Sentry Six Year Initial Transfers pursuant to section 544 of the Bankruptcy Code, and sections 276, 276-a, 278, and/or 279 of the New York Debtor and Creditor Law, and to recover the Sentry Six Year Initial Transfers, or the value thereof, and attorneys' fees from Sentry pursuant to section 550(a) of the Bankruptcy Code and SIPA § 78fff-2(c)(3).

293. CGML was an immediate or mediate transferee of some portion of the Sentry Six Year Initial Transfers (the "CGML Six Year Subsequent Transfers") pursuant to section 550(a) of the Bankruptcy Code.

294. Each of the CGML Six Year Subsequent Transfers was received by CGML with actual intent to hinder, delay or defraud creditors of BLMIS at the time of each of the CGML Six Year Subsequent Transfers, and/or future creditors of BLMIS.

295. Each of the CGML Six Year Subsequent Transfers was made directly or indirectly to, or for the benefit of, CGML.

296. As a result of the foregoing, the Trustee is entitled to a judgment pursuant to sections 276, 276-a, 278, and/or 279 of the New York Debtor and Creditor Law, sections 544(b), 550(a), and 551 of the Bankruptcy Code, and SIPA § 78fff-2(c)(3) recovering the CGML Six Year Subsequent Transfers, or the value thereof, and attorneys' fees from CGML for the benefit of the estate.

COUNT ELEVEN:
FRAUDULENT TRANSFER (SUBSEQUENT TRANSFEREE)
NEW YORK DEBTOR AND CREDITOR LAW §§ 273 AND 278
AND/OR 279, AND 11 U.S.C. §§ 544, 550(a), AND 551

Against CGML

297. The Trustee incorporates by reference the allegations contained in the previous paragraphs of this Complaint as if fully rewritten herein.

298. At all times relevant to the Sentry Six Year Initial Transfers, there have been one or more creditors who have held and still hold matured or unmatured unsecured claims against BLMIS that were and are allowable under section 502 of the Bankruptcy Code or that were and are not allowable only under section 502(e).

299. Each of the Sentry Six Year Initial Transfers constituted a conveyance by BLMIS as defined under DCL section 270.

300. BLMIS did not receive fair consideration for the Sentry Six Year Initial Transfers.

301. BLMIS was insolvent at the time it made each of the Sentry Six Year Initial Transfers or, in the alternative, BLMIS became insolvent as a result of each of the Sentry Six Year Initial Transfers.

302. The Trustee has filed a lawsuit against Sentry to avoid the Sentry Six Year Initial Transfers pursuant to section 544 of the Bankruptcy Code, and sections 273, 278, and/or 279 of the New York Debtor and Creditor Law, and to recover the Sentry Six Year Initial Transfers from Sentry, or the value thereof, pursuant to section 550(a) of the Bankruptcy Code and SIPA § 78fff-2(c)(3).

303. CGML was an immediate or mediate transferee of some portion of the Sentry Six Year Initial Transfers pursuant to section 550(a) of the Bankruptcy Code.

304. Each of the CGML Six Year Subsequent Transfers was made directly or indirectly to, or for the benefit of, CGML.

305. As a result of the foregoing, the Trustee is entitled to a judgment pursuant to sections 273, 278, and/or 279 of the New York Debtor and Creditor Law, sections 544(b), 550(a), and 551 of the Bankruptcy Code, and SIPA § 78fff-2(c)(3) recovering the CGML Six Year Subsequent Transfers, or the value thereof, from CGML for the benefit of the estate.

COUNT TWELVE:
FRAUDULENT TRANSFERS (SUBSEQUENT TRANSFEREE)
NEW YORK DEBTOR AND CREDITOR LAW §§ 274, 278,
AND/OR 279, AND 11 U.S.C. §§ 544, 550(a), AND 551

Against CGML

306. The Trustee incorporates by reference the allegations contained in the previous paragraphs of this Complaint as if fully rewritten herein.

307. At all times relevant to the Sentry Six Year Initial Transfers, there have been one or more creditors who have held and still hold matured or unmatured unsecured claims against BLMIS that were and are allowable under section 502 of the Bankruptcy Code or that were and are not allowable only under section 502(e).

308. Each of the Sentry Six Year Initial Transfers constituted a conveyance by BLMIS as defined under DCL section 270.

309. BLMIS did not receive fair consideration for the Sentry Six Year Initial Transfers.

310. At the time BLMIS made each of the Sentry Six Year Initial Transfers, BLMIS was engaged or was about to engage in a business or transaction for which the property remaining in its hands after each of the Sentry Six Year Initial Transfers was an unreasonably small capital.

311. The Trustee has filed a lawsuit against Sentry to avoid the Sentry Six Year Initial Transfers pursuant to section 544 of the Bankruptcy Code, and sections 274, 278, and/or 279 of the New York Debtor and Creditor Law, and to recover the Sentry Six Year Initial Transfers, or the value thereof, from Sentry pursuant to section 550(a) of the Bankruptcy Code and SIPA § 78fff-2(c)(3).

312. CGML was an immediate or mediate transferee of some portion of the Sentry Six Year Initial Transfers pursuant to section 550(a) of the Bankruptcy Code.

313. Each of the CGML Six Year Subsequent Transfers was made directly or indirectly to, or for the benefit of, CGML.

314. As a result of the foregoing, the Trustee is entitled to a judgment pursuant to sections 274, 278, and/or 279 of the New York Debtor and Creditor Law, sections 544(b), 550(a), and 551 of the Bankruptcy Code, and SIPA § 78fff-2(c)(3) recovering the CGML Six Year Subsequent Transfers, or the value thereof, from CGML for the benefit of the estate.

COUNT THIRTEEN:
FRAUDULENT TRANSFERS (SUBSEQUENT TRANSFEREE)
NEW YORK DEBTOR AND CREDITOR LAW §§ 275, 278,
AND/OR 279, AND 11 U.S.C. §§ 544, 550(a), AND 551

Against CGML

315. The Trustee incorporates by reference the allegations contained in the previous paragraphs of this Complaint as if fully rewritten herein.

316. At all times relevant to the Sentry Six Year Initial Transfers, there have been one or more creditors who have held and still hold matured or unmatured unsecured claims against BLMIS that were and are allowable under section 502 of the Bankruptcy Code or that were and are not allowable only under section 502(e).

317. Each of the Sentry Six Year Initial Transfers constituted a conveyance by BLMIS as defined under DCL section 270.

318. BLMIS did not receive fair consideration for the Sentry Six Year Initial Transfers.

319. At the time BLMIS made each of the Sentry Six Year Initial Transfers, BLMIS had incurred, was intending to incur, or believed that it would incur debts beyond its ability to pay them as the debts matured.

320. The Trustee has filed a lawsuit against Sentry to avoid the Sentry Six Year Initial Transfers, or the value thereof, pursuant to section 544 of the Bankruptcy Code, and sections

275, 278, and/or 279 of the New York Debtor and Creditor Law, and to recover Sentry Six Year Initial Transfers, or the value thereof, from Sentry pursuant to section 550(a) of the Bankruptcy Code and SIPA § 78fff-2(c)(3).

321. CGML was an immediate or mediate transferee of some portion of the Sentry Six Year Initial Transfers pursuant to section 550(a) of the Bankruptcy Code.

322. Each of the CGML Six Year Subsequent Transfers was made directly or indirectly to, or for the benefit of, CGML.

323. As a result of the foregoing, the Trustee is entitled to a judgment pursuant to sections 275, 278, and/or 279 of the New York Debtor and Creditor Law, sections 544(b), 550(a), and 551 of the Bankruptcy Code, and SIPA § 78fff-2(c)(3) recovering the CGML Six Year Subsequent Transfers, or the value thereof, from CGML for the benefit of the estate.

WHEREFORE, the Trustee respectfully requests that this Court enter judgment in favor of the Trustee and against Citibank and CNAI on counts one through six and against CGML on counts seven through thirteen as follows:

(a) On the First Claim for Relief, pursuant to sections 548(a)(1)(A), 550(a), and 551 of the Bankruptcy Code and SIPA § 78fff-2(c)(3) the Trustee is entitled to a judgment recovering the Citibank Two Year Subsequent Transfers, or the value thereof, from Citibank or CNAI for the benefit of the estate;

(b) On the Second Claim for Relief, pursuant to sections 548(a)(1)(B), 550(a), and 551 of the Bankruptcy Code and SIPA § 78fff-2(c)(3) the Trustee is entitled to a judgment recovering the Citibank Two Year Subsequent Transfers, or the value thereof, from Citibank or CNAI for the benefit of the estate;

(c) On the Third Claim for Relief, pursuant to sections 276, 276-a, 278, and/or 279 of

the New York Debtor and Creditor Law, sections 544(b), 550(a), and 551 of the Bankruptcy Code, and SIPA § 78fff-2(c)(3) the Trustee is entitled to a judgment recovering the Citibank Six Year Subsequent Transfers, or the value thereof, and attorneys' fees from Citibank or CNAI for the benefit of the estate;

(d) On the Fourth Claim for Relief, pursuant to sections 273, 278, and/or 279 of the New York Debtor and Creditor Law, sections 544(b), 550(a), and 551 of the Bankruptcy Code, and SIPA § 78fff-2(c)(3) the Trustee is entitled to a judgment recovering the Citibank Six Year Subsequent Transfers, or the value thereof, from Citibank or CNAI for the benefit of the estate;

(e) On the Fifth Claim for Relief, pursuant to sections 274, 278, and/or 279 of the New York Debtor and Creditor Law, sections 544(b), 550(a), and 551 of the Bankruptcy Code, and SIPA § 78fff-2(c)(3) the Trustee is entitled to a judgment recovering the Citibank Six Year Subsequent Transfers, or the value thereof, from Citibank or CNAI for the benefit of the estate;

(f) On the Sixth Claim for Relief, pursuant to sections 275, 278, and/or 279 of the New York Debtor and Creditor Law, sections 544(b), 550(a), and 551 of the Bankruptcy Code, and SIPA § 78fff-2(c)(3) the Trustee is entitled to a judgment recovering the Citibank Six Year Subsequent Transfers, or the value thereof, from Citibank or CNAI for the benefit of the estate;

(g) On the Seventh Claim for Relief, pursuant to sections 547(b), 550(a), and 551 of the Bankruptcy Code and SIPA § 78fff-2(c)(3), the Trustee is entitled to a judgment recovering the CGML Preference Period Subsequent Transfers, or the value thereof, from CGML for the benefit of the estate of BLMIS;

(h) On the Eighth Claim for Relief, pursuant to sections 548(a)(1)(A), 550(a), and 551 of the Bankruptcy Code and SIPA § 78fff-2(c)(3) the Trustee is entitled to a judgment recovering the CGML-Sigma Two Year Subsequent Transfers, or the value thereof, from CGML

for the benefit of the estate;

(i) On the Ninth Claim for Relief, pursuant to sections 548(a)(1)(B), 550(a), and 551 of the Bankruptcy Code and SIPA § 78fff-2(c)(3) the Trustee is entitled to a judgment recovering the CGML-Sigma Two Year Subsequent Transfers, or the value thereof, from CGML for the benefit of the estate;

(j) On the Tenth Claim for Relief, pursuant to sections 276, 276-a, 278, and/or 279 of the New York Debtor and Creditor Law, sections 544(b), 550(a), and 551 of the Bankruptcy Code, and SIPA § 78fff-2(c)(3) the Trustee is entitled to a judgment recovering the CGML-Sigma Six Year Subsequent Transfers, or the value thereof, and attorneys' fees from CGML for the benefit of the estate;

(k) On the Eleventh Claim for Relief, pursuant to sections 273, 278, and/or 279 of the New York Debtor and Creditor Law, sections 544(b), 550(a), and 551 of the Bankruptcy Code, and SIPA § 78fff-2(c)(3) the Trustee is entitled to a judgment recovering the CGML-Sigma Six Year Subsequent Transfers, or the value thereof, from CGML for the benefit of the estate;

(l) On the Twelfth Claim for Relief, pursuant to sections 274, 278, and/or 279 of the New York Debtor and Creditor Law, sections 544(b), 550(a), and 551 of the Bankruptcy Code, and SIPA § 78fff-2(c)(3) the Trustee is entitled to a judgment recovering the CGML-Sigma Six Year Subsequent Transfers, or the value thereof, from CGML for the benefit of the estate;

(m) On the Thirteenth Claim for Relief, pursuant to sections 275, 278, and/or 279 of the New York Debtor and Creditor Law, sections 544(b), 550(a), and 551 of the Bankruptcy Code, and SIPA § 78fff-2(c)(3) the Trustee is entitled to a judgment recovering the CGML-Sigma Six Year Subsequent Transfers, or the value thereof, from CGML for the benefit of the estate;

(n) Awarding the Trustee all applicable attorneys' fees, interest, costs, and disbursements of this action; and

(o) Granting the Trustee such other, further and different relief as the Court deems just, proper and equitable.

Dated: New York, New York
December 8, 2010

/*s/* David J. Sheehan
/*s/* Keith R. Murphy
/*s/* Marc Skapof
Baker & Hostetler LLP
45 Rockefeller Plaza
New York, New York 10111
Telephone: (212) 589-4200
Facsimile: (212) 589-4201
David J. Sheehan
Ryan P. Farley
Mark A. Kornfeld
Keith R. Murphy
Marc Skapof

Thomas L. Long
Catherine E. Woltering
Baker & Hostetler LLP
65 East State Street, Suite 2100
Columbus, Ohio 43215
Telephone: (614) 228-1541
Facsimile: (614) 462-2616

Attorneys for Irving H. Picard, Trustee for the Substantively Consolidated SIPA Liquidation of Bernard L. Madoff Investment Securities LLC and Bernard L. Madoff

Of Counsel:

Deborah H. Renner
Oren J. Warshavsky
Gonzalo S. Zeballos
Timothy S. Pfeifer
Seanna R. Brown
Baker & Hostetler LLP
45 Rockefeller Plaza
New York, New York 10111