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Ex-Bernie Madoff employees convicted in Ponzi scheme's first trial

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NEW YORK – Five former employees of imprisoned financier Bernard Madoff were convicted of conspiracy Monday to cap a six-month trial in which they were accused of enriching themselves while telling an elaborate web of lies to hide a fraud that cheated investors of billions of dollars.

The trial — one of the longest in the storied history of Manhattan federal court — was the first to result from the massive fraud revealed in December 2008 when Madoff ran out of money and was arrested. He pleaded guilty and is serving a 150-year prison sentence.

The trial focused on five people who prosecutors said helped him carry out the fraud.

Prosecutors unveiled hundreds of exhibits and showcased dozens of witnesses to try to prove charges against Annette Bongiorno, Madoff's longtime secretary; Daniel Bonventre, his director of operations for investments; JoAnn Crupi, an account manager; and Jerome O'Hara and George Perez, both computer programmers.

Bongiorno and Bonventre testified for several days in their own defense. They insisted they were victims of Madoff's fraud as well, losing millions of dollars they had invested with him because they believed in and trusted him.

Bongiorno, 65, told the jury he once asked how the firm was "making money when everyone else was losing money." He said Madoff told him they could make money in a down market by shorting stocks. Bongiorno said he believed him.

Clients lost nearly \$20 billion. A court-appointed trustee has recovered much of the money by forcing those customers who received big payouts from Madoff to return the funds. When the fraud was revealed, Madoff admitted that the nearly \$68 billion he claimed existed in accounts was actually only a few hundred million dollars.

The centerpiece of the prosecution's case was Frank DiPascali, Madoff's former finance chief, and five other insiders who pleaded guilty and agreed to cooperate.

At times, however, their testimony seemed to support the defendants' claims that they were kept in the dark.

DiPascali acknowledged that he lied to Perez and O'Hara "to trick them into working on the projects that he needed them to work on."

Larry Krantz, an attorney representing Perez, asked him if he was manipulating them so they could participate in the massive fraud without knowing it.

"Yes," DiPascali answered.

In their closing arguments, defense lawyers hammered at the notion that their clients were victims too, losing tens of millions of dollars they had entrusted to their boss.

Attorney Gordon Mehler said his client, O'Hara, was "used, abused, manipulated, lied to, snookered and bamboozled" by two of the greatest criminal masterminds in history.

Bongiorno's attorney, Roland Ripoelle, said Bongiorno "saw \$50 million of what she thought was her own money but was really Bernie Madoff's monopoly money go up in smoke. ... Ms. Bongiorno relied on Mr. Madoff, and she was fooled by him."

Attorney Eric Breslin said his client, Crupi, was a victim of "the lies that they told her to her face, year after year."

The defendants were described by prosecutors as "necessary players" in Madoff's fraud. They said Bongiorno, hired in 1968, and Crupi, hired in 1983, used old stock tables to fabricate account statements and other fake records that kept the Securities and Exchange Commission in the dark. The government said they also rewarded themselves with tens of millions of dollars in salary and bonuses, including \$2.5 million for a beach house for Crupi as the Ponzi scheme was falling apart.

Prosecutors said O'Hara and Perez developed a software program that automated the fraud, generating "information out of thin air," as one put it.

The Ponzi scheme nearly ran out of money at least twice since the early 1990s before finally collapsing during the 2008 financial crisis.

During jury selection, prospective jurors were told that they might hear references to big names like Steven Spielberg, Sandy Koufax, Kevin Bacon and Zsa Zsa Gabor. Hundreds of exhibits and thousands of pages of materials were put before jurors.

Also mentioned were Madoff's relatives, including his brother, wife and two sons. A third son committed suicide two years after the fraud was revealed.

Madoff, 75, is serving his sentence at a federal lockup in North Carolina.

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