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Dear Client:

The Trustee in the Madoff Bankruptcy held a hearing on Friday, February 20, 2009. The hearing transcript is available at <http://www.madofftrustee.com> (click on Creditors Meeting) should you wish to listen.

You should be aware that the Trustee provided the following guidance at the hearing. Although the Trustee indicated that his statements would not be binding on SIPC, as a practical matter, SIPC is likely to face an uphill battle if it tries to backtrack in any significant way from the Trustee's statements:

(a) Any SIPC loss will be measured by the excess of the amounts you invested over the amounts you withdrew. SIPC will not consider the stated value of your account (including the artificial profits) in making this calculation. Therefore, to file a SIPC claim you will need to document each of your investments and each of your withdrawals. However, we anticipate that SIPC will take a reasonable approach to the extent documentation is not available, e.g., if old records were discarded.

(b) With regard to the SIPC filing, the Trustee made clear that a filing could be made up until July 2, 2009 and that a claim is not actually required to be filed by March 4th. We will of course promptly make SIPC filings for clients who instruct us to do so. However, for the time being we recommend that you not file a SIPC claim if you potentially are subject to a clawback, or if there are other reasons for delaying the filing.

(c) With respect to Partnerships, the Trustee stated that only the Partnership could file and not the individual partners. We believe there may, under appropriate circumstances, exist legal arguments to support filing individual claims for the partners as well. At a minimum, the Trustee suggested that such claims be filed if there is a legal basis to do so. This will protect the individual partner claims should later legal proceedings determine that they are proper SPIC claims.



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(d) Prior to the hearing, it was generally assumed that any distribution made within ninety days of bankruptcy would be a preference which would have to be returned to the Bankruptcy Estate. However, the Trustee stated at the hearing that these preference items would not be pursued if the distributee acted in good faith and did not profit on a net cash basis from the ponzi scheme. Thus, there will only be a clawback if the total amount you withdrew (including any sum received during the ninety day period) exceeds your total investment or the funds were recovered in bad faith.

(e) With regard to clawbacks, the Trustee made clear that each case will be reviewed based on the particular facts. Thus, in sympathetic cases, even if you withdraw more than you invested, you may be able to retain all or a portion of that excess without a clawback claim being pursued. Certain examples given at the hearing included emergency medical expenses, college tuition and other critical expenditures. The Trustee also noted that he would not be as inclined to pursue clawbacks from people who are left impoverished or for which the clawback claim would be small relative to the size of the investment. This means that it will be important to document the circumstances surrounding each withdrawal.

(f) With respect to tax filings, we continue to await further guidance from the tax authorities. Presently we anticipate that we will have recommendations available for individual clients by the end of March. This should provide each client with ample opportunity to file the necessary documents with the Internal Revenue Service. As we have previously indicated, if you filed your 2005 returns on extension, action need not be taken by April 15th to protect potential refund claims for calendar year 2005. However, if you filed your 2005 return on or before April 15, 2006, then it will be necessary for you to take certain protective action before April 15, 2009 in order to protect refund rights you might have for 2005.

(g) As previously discussed the actual tax filing will be prepared by your accountant. Our role will be to assist you in devising your tax strategy and determining what should be filed.

We hope you find this information both useful and informative. We will provide you with additional guidance as important information is disclosed in connection with the Madoff scandal.

The foregoing information is being provided for the benefit of the clients and friends of Meltzer, Lippe, Goldstein & Breitstone. It is not intended to provide legal advice, and no legal or business decision should be based on its content. If you have any questions or would like to discuss any of the foregoing in further detail, please feel free to call any of the undersigned attorneys.

Sincerely yours,

Meltzer, Lippe, Goldstein & Breitstone, LLP

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and José L. Berra