



SECURITIES INVESTOR PROTECTION CORPORATION
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December 22, 2010

Ron Stein, President
Network for Investor Action and Protection
P. O. Box 2159
Halesite, New York 11743

Dear Mr. Stein:

I have received your letter dated December 7, 2010. You have inquired as to why the Trustee has sued certain individuals when (i) he has already sued other parties for over \$32 billion and (ii) in your words, there are "only \$5.8 billion in claims." The brief answer is that the Trustee expects the very largest claims in the proceeding to be allowed once the claimants in question reach a resolution with the Trustee on avoidable transfers attributable to the accounts in question. It is currently estimated that there will be a total of approximately \$20 billion in fully allowable claims. A fuller explanation of this appears in the transcript of a hearing held before the Bankruptcy Court on December 14. In addition, while the Trustee believes that the complaints that he has brought are well-founded, given the uncertainties of litigation and, particularly with foreign defendants, the difficulties of collection, there is no guarantee that he will recover over \$32 billion just because he has sued for those amounts.

Second, you have asked "...why doesn't the Trustee exercise his discretion..." with regard to the initiation of the lawsuits. The answer is, first, that the Trustee has exercised discretion, and has refrained from bringing suit against every conceivable party who received an avoidable transfer. Second, the Trustee has initiated a Hardship Program which will dismiss or otherwise resolve suits against persons in financial difficulty. The Trustee has described on his web site (www.madofftrustee.com) some of the factors that he will consider in deciding whether or not to pursue litigation. These include, among others, the indicators mentioned in your letter of advanced age and severe economic stress or hardship. The Trustee also has established a hotline and has emphasized his desire to resolve complaints, to the extent possible, by consensus. Further, even if the Trustee must proceed with litigation, he has initiated a program of mediation, the cost of which in most cases will be borne by the estate and which will keep investors' financial information confidential, as an integral part of the process. No one, least of

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all the Trustee or SIPC, has any interest in pursuing pointless litigation or in making the process more protracted than necessary. I would encourage anyone who is the subject of such a suit to consult the Trustee's web site for more information in this regard.

Third, you have questioned how the Trustee will distribute the funds in his possession. The Trustee will file a motion to allocate and distribute funds as promptly as practical consistent with the Securities Investor Protection Act. Details on that process will be fully explained in that motion.

Very truly yours,



Stephen P. Harbeck
President

cc: The Honorable Barney Frank
Chairman, House Committee on Financial Services

The Honorable Spencer Bachus, Ranking Member
House Committee on Financial Services

The Honorable Paul Kanjorski, Chairman
Subcommittee on Capital Markets, Government Sponsored
Enterprises, and Insurance

The Honorable Scott Garrett, Ranking Member
Subcommittee on Capital Markets, Government Sponsored
Enterprises, and Insurance