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Civil liberties groups among Ponzi scheme victims

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NEWARK, N.J. - Among the casualties of Wall Street money manager Bernard Madoff are several civil liberties groups, including two that are now being forced to close their doors.

The Jeht Foundation and The Rokit Foundation, based in Manhattan, said they're shutting down at the end of January because of their benefactors' investments with the veteran Wall Street money manager. They are the latest alleged victims to step forward in the unwinding of the Ponzi fund that investigators claim was being run by the 70-year-old Madoff, who helped develop the Nasdaq stock exchange in New York City. Losses could go as high as \$50 billion.

Robert Crane, who heads both the Jeht and Rokit funds, said the foundations will let go all 26 of their employees. The groups have a combined annual budget of \$32 million and provide more than \$500,000 a year to the American Civil Liberties Union, he said. The funds also provided \$57,000 this year to the New Jersey chapter of the ACLU for its "Unlock the Vote" campaign to allow citizens on parole or probation to vote.

"This is sad," said Crane. "We're not the only ones impacted by this, by a long shot, but that doesn't make it any easier."

Deborah Jacobs, spokeswoman for the New Jersey ACLU, said the demise of the Rokit and Jeht foundations will hit her organization particularly hard. Their \$57,000 donation represents 10 percent of the chapter's political lobbying budget, she said. Most charitable donations are tax deductible and cannot be utilized for lobbying, unlike the funds' contribution.

"This is a huge loss for us," Jacobs said.

Federal authorities say Madoff ran one of Wall Street's biggest Ponzi schemes, in which abnormally high returns were paid to initial investors from money obtained from subsequent investors, rather than from proceeds generated by profitable investments.

Madoff, who was arrested Thursday for securities fraud, is being sued by the Securities and Exchange Commission. He is free on a \$10 million bond. A federal judge froze the assets of his firm Friday.

"This is a great tragedy and we are doing our best to minimize the losses," said Ira Lee Sorkin, Madoff's attorney.

Some of the world's biggest banking institutions and hedge funds, as well as rich investors and charities, were snared in the scheme.

"Madoff's Ponzi scheme used money from new investors to fund payouts to older investors and create the appearance of an exceptional rate of return, which just wasn't true," said Patrick Mauro, a registered investment adviser with \$34 million under management. "There was no 10 to 15 percent a year. The credit crisis was his undoing because he didn't have enough new money coming in any more."

Other charities in New Jersey that fell victim to Madoff include New Jersey Sen. Frank Lautenberg's charitable foundation, which provided more than \$765,000 to at least 100 recipients in 2006. The Lautenberg family foundation has worked with or donated to the Breast Cancer Research Foundation, Catholic Relief Services, the New Jersey Performing Arts Center and the National Association for the Advancement of Colored People.

An attorney for Lautenberg said the extent of the foundation's losses is still unclear.

According to Treasury spokesman Tom Vincz, the state of New Jersey's \$62 billion pension fund has nothing invested with Madoff. A spokesman for New Jersey Gov. Jon Corzine said the governor also had no investments with Madoff.

Bob DeFillippo, spokesman for Prudential Financial Inc., which has \$602 billion assets under management, indicated that the Newark-based company has no significant exposure to Madoff.

The United Jewish Communities of MetroWest New Jersey issued a statement saying the organization had no investments with Madoff, but referred to an "avalanche of victims" in the fraud.

"His clients include some of the most charitable families and major organizations in the Jewish community," said Mark Cohen, a spokesman for United Jewish Communities. The organization operates in Essex, Morris, Sussex and Union counties.

Jerry Reisman, a New York attorney who represents 10 Madoff investors in New York and Florida, said they are unwilling to publicly acknowledge being bilked, as are many of his other alleged victims.

"Nobody wants to go public," Reisman said. "They're humiliated and embarrassed and they don't want anybody to know they lost money."