

## 'Ponzi' losses stun S. Fla. clients

An alleged \$50 billion Ponzi scheme run by long-trusted New York financier Bernard J. Madoff has sent shock waves among wealthy investors in South Florida.

BY JACK DOLAN AND REBECCA DELLAGLORIA

In the week since financier Bernard J. Madoff's stunning confession that his ultra-exclusive, \$50 billion investment fund had been nothing more than a Ponzi scheme, the names and stories of South Florida investors have slowly leaked out.

Some lost a few hundred thousand dollars, others lost entire family fortunes worth millions.

There's Robert Jaffe, a dapper socialite who lived next door to Madoff's Palm Beach estate, and took a commission to recruit investors at the elite Palm Beach Country Club.

Since Madoff's arrest, Jaffe has resigned as chair of a multi-million dollar charitable foundation, hired a public relations firm to help fend off the press and canceled an upcoming party to celebrate his son's engagement.

Then there's Jerome Fisher, a Palm Beach Country Club member, and co-founder of the Nine West shoe chain. The Madoff meltdown is his second blow from a hedge fund in three years. Fisher was also a prominent investor in KL Financial, another Ponzi scheme that collapsed in 2005, wiping out \$195 million.

An attorney for Fisher, Guy Giberson, said Fisher would not comment for this report.

Williams Island couple Robert and Ilene Gruder -- he used to own the oceanfront Monaco Hotel in Sunny Isles Beach -- are effectively "wiped out," according to friends and acquaintances.

Robert Gruder declined to comment on his Madoff investments. Jackie Cohen, one of his four daughters, said her father is mortified. "My dad is embarrassed, and he is a very proud man," said Cohen, who lives in San Diego.

Stephen J. Helfman, a Miami attorney married to former TV anchorwoman Gerri Helfman, lost his two childrens' college funds, according to published reports. His 98-year old grandmother relied on Madoff funds for her 24-hour healthcare.

Like Madoff clients everywhere, most local investors are reluctant to speak publicly about their losses. Some out of embarrassment, others, even those who still have plenty of money left, say they don't want to put up with the constant condolences from friends and strangers.

They say Madoff never revealed details of his investment strategy -- that was part of the mystique. But they temper their embarrassment about not asking more questions with one simple truth: Madoff delivered rock solid returns -- an average 12 percent a year -- for two decades.

And the service was impeccable. One investor, who insisted that his name stay out of the newspaper, said he sent his first \$100,000 to Madoff in the late 1980s. "If you needed money, if it was \$5,000 or \$5 million, you faxed him a note and within two or three days you'd have your check, no problem," he said.

December 21, 2008

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Some of the investors' harshest criticism has come down on the Securities and Exchange Commission, the federal agency charged with protecting investors. The agency's chairman, Christopher Cox, acknowledged this week that the SEC's Boston office got credible evidence of Madoff's wrongdoing as long as nine years ago, but the agency failed to act.

"Our initial findings have been deeply troubling," Cox said.

SEC spokesman John Nester refused to say whether the agency's Miami office, the only one in Florida, received any complaints or tips about Madoff over the years. "It's an ongoing investigation," Nester explained.

Things became even more embarrassing for the SEC as the week of revelations wore on. It turned out one of the agency's investigators assigned to the case found nothing wrong with the company, and everything right about Madoff's niece, whom he later married.

The news added to a growing sense that Madoff's sterling reputation -- he's the former chairman of the Nasdaq -- fostered a sense among regulators that he was above suspicion.

"Those incompetent boobs [the SEC] were in my office for four weeks, investigating everything but the color of my underwear," said a Broward investor, who is a financial advisor. "And they ignore the fact that a \$50 billion scam is going on."

He may have bigger problems than the SEC in the coming months.

If Madoff is completely wiped out, as seems likely, investors will inevitably start turning on investment advisors, accountants and anyone else with deep pockets to try to recover some of their losses.

"People, in their grief and anger, will start pointing fingers at others who aren't necessarily the ones directly responsible," said Holland and Knight attorney John Hogan, who is leading a team at that firm to deal with Madoff-related lawsuits. "In a way, victims end up making new victims."

Numerous law and accountancy firms, including Morrison, Brown, Argiz & Farra and Adorno & Yoss in South Florida, are gearing up for a rush of litigation and tax work.

Most of the Madoff investors who have come to light so far have been large banks and other hedge funds. But some of the hardest blows have also hit charities supported by Madoff's wealthy, mostly Jewish, clients.

Jacob Solomon, president and CEO of the Greater Miami Jewish Federation, which oversees a host of charitable efforts said, "It almost feels like a tidal wave. You know the earthquake has taken place and you're waiting to see how much of the tidal wave hits and in which places."

Solomon said he has heard from 10 of the federation's regular donors who lost money with Madoff. Only one, however, has said he won't be able to keep giving.

Solomon said the federation had no investments with Madoff directly. The federation did have some money in a diversified fund that invested with Madoff, but those shares were sold in June, he said.

Still, that doesn't mean the federation is entirely off the hook.

There have been previous cases where even innocent investors, who got out before a Ponzi scheme collapsed, had to return their profits to be distributed among other investors. In extreme cases, those investors have also been required to turn over some of the principal from their investment in the fund.

"Even though you got off the Titanic, you may not be afloat," said Lewis B. Freeman, who runs a forensic accounting firm in Miami that has been approached by several victims' lawyers for help with the Madoff case.

"I'm assured our exposure will be extremely limited," Solomon said.

*Miami Herald* business writer *Martha Brannigan* and *Jane Musgrave* of the *Palm Beach Post* contributed to this report.