

United Hebrew's Investments

Dear Fellow UH Member:

The recent tragic news of the Madoff scandal has many people concerned about the safety of investments by non-profit organizations. Our hearts go out to all of the innocent victims of Madoff's fraud, but I want to assure you that United Hebrew has no exposure to this scandal and minimal risk of being victimized by a similar scheme.

As you have probably read, New York investment advisor Bernard Madoff is under arrest for securities fraud in connection with a so-called "Ponzi scheme," in which he allegedly paid investors, not with actual gains on their investments, but with investments made by other investors. According to the government, Madoff himself put the losses from his fraud at an almost inconceivable \$50 billion. News reports indicate that Jewish charities and individuals have been heavily victimized.

Our endowment is managed by Alpine Investment Management, a well-respected local investment firm, and there are several reasons why we can be confident that we could not be defrauded by a similar scheme.

First, Alpine's strategy, transactions and holdings are entirely transparent. Every quarter our Investment Committee receives a report that shows precisely what we own and what purchases and sales we have made. On other occasions, we have received statements on request.

Second, and more important, unlike Madoff, Alpine neither makes the purchases and sales nor holds our securities. Pursuant to Alpine's instructions, all transactions are made by Merrill Lynch, which holds all the assets of the endowment. One of the factors that allowed Madoff to carry out his scheme is that his firm made the trades (or purported trades) and held the securities (assuming there really were securities). Having an independent custodian like Merrill Lynch provides a margin of safety that Madoff's investors did not have.

Third, Merrill Lynch, not Alpine, generates and sends us our statements. Merrill Lynch (again unlike Madoff) is audited by a major accounting firm, Deloitte & Touche LLP. Thus, we can be sure that we really hold the assets reported to us.

Fourth, Alpine does not invest our assets in the funds of other investment managers. Some of Madoff's victims invested in other funds, which in turn invested with Madoff without informing them. That could not happen to us.

I hope these facts will help assure you that our endowment is safe from any kind of Madoff-like fraud. If you have any questions, please do not hesitate to contact me. Meanwhile, I hope you and your family are enjoying a wonderful Chanukah.

Very Truly Yours,
Rick Cornfeld
United Hebrew President