

## A Palm Beach Enclave, Stunned by an Inside Job



Maggie Steber for The New York Times

Bernard Madoff was a longtime member of the Palm Beach Country Club, where he is thought to have bilked other members.

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Published: December 14, 2008

PALM BEACH, Fla. — The room of somber whispers fell silent when the two men walked in.

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Maggie Steber for The New York Times  
Models promoting a trunk show in Palm Beach, where Bernard Madoff managed many fortunes.

Just days after the collapse of [Bernard L. Madoff's](#) suspected \$50 billion Ponzi scheme, two of his emissaries returned to the epicenter of the financial disaster to face some of the hardest-hit investors, many of them old friends whom they had recruited to invest in Mr. Madoff's firm.

As Carl J. Shapiro and Robert M. Jaffe sat down at the Men's Grill of the Palm Beach Country Club they scanned an awkwardly quiet room, seemingly looking for friendly faces and reassuring nods.

The moment was a stark reversal for two men whom people used to trip over themselves to meet in hopes of a chance to invest with Mr. Madoff.

"You doing O.K.?" asked one of the several club members who approached the men in a show of support. "We're here for you."

While the fallout from Mr. Madoff's suspected con game shook investors around the world, perhaps nowhere was there a higher concentration of victims than in this room. Investors were said to have paid hundreds of thousands of dollars a year to remain members of this club in hopes of an introduction to Mr. Madoff, usually by Mr. Jaffe or

Mr. Shapiro. Mr. Madoff has been a member since 1996.

But more than wealth, these people seemed to have lost a sense of trust and prestige. During a visit to the club on Saturday, many members, asked for their reactions, requested not to be named because they did not want to ruin their standing among friends.

In Mr. Madoff's fall, their world turned upside down, they said. Those who prided themselves as financially savvy suddenly seemed gullible. The trusted friend, sage adviser and model philanthropist they thought they knew was now charged with being a multibillion-dollar swindler.

There is no evidence that either Mr. Shapiro, who is 95 and joined the club in 1974, or his son-in-law, Mr. Jaffe, who is 64 and joined in 1992, knew of the fraud. Both men, who give millions every year to countless charities, are also said to have been duped of hundreds of millions of their own money, according to friends of their families.

But as a steady stream of older men in pastel sweaters and sockless penny-loafers slowly stood and approached the center table for hushed conversations and to offer pats on their backs, Mr. Shapiro and Mr. Jaffe looked ashen.

"All I can say is that this is an awful awful time for us," Mr. Shapiro's wife, Ruth, said in a short phone interview.

This was not the first swindle to hit this country club, which was formed in the 1950s by Jewish residents who had been barred from other island haunts.

Only three years ago, a handful of its members were victims of a similar, albeit smaller, pyramid scheme. Two men, John and Yung Kim, ran a company called the KL Group, which was based on the island and bilked investors of more than \$190 million.

"But everyone at the club saw this differently," said Laurence Leamer, an island resident and author of a forthcoming book, ["Madness Under the Royal Palms."](#) about the island's elite.

"Anyone can get robbed," he said. "Madoff's scam was so much worse because he was one of their own."

Everywhere at the club, it was the topic of conversation.

Upstairs in the women's dining room, a woman joked that she now knew the proper way to pronounce his name.

"Made off," she said. "You know, like he made off with all our money."

Even off the island, many investors said they were impressed with how careful Mr. Madoff had seemed.

"He just didn't make mistakes," said Richard Spring, 73, from Boca Raton. "He was just a sound, smart, reasonable guy."

Mr. Spring recounted meeting Mr. Madoff in the early 1970s when they shared a helicopter each day commuting from Long Island to Wall Street.

He said he vividly recalled one commute when Mr. Madoff "bawled out" one of his traders for sloppy work, not protecting against a downturn.

Impressed, he later invested with Mr. Madoff, over time putting more than \$11 million into the firm, virtually every cent of his savings, he said.

"I'm taking care of my sick mother-in-law. My wife has cancer. I just can't deal with it," Mr. Spring said, only barely choking back tears. "I'm cooked."

Mr. Shapiro. Mr. Madoff has been a member since 1996.

The shock and sense of betrayal reached far beyond the country club.

Just three hours before the news hit, Tommy Mayes, director of the Palm Beach office of the wealth management company Calibre, said he was at a conference meeting with investors who spoke glowingly of Mr. Madoff.

“They were attributing their success to their access to a guy like Bernard Madoff,” he said. “I cannot imagine that all of us have been duped like this.”

For Morse Life, a nonprofit residence for the elderly in West Palm Beach, news of Mr. Madoff’s arrest came on Thursday night as the organization held its Silver Anniversary Ball at The Breakers, the prominent oceanfront hotel in Palm Beach.

“Nobody wanted to be the one to make a general announcement or alarm anyone who might not be involved,” said Marjorie Agran, the chairwoman of the Friends of Morse Life, a volunteer fund-raising group.

But the mood was gloomiest at the country club where, people here said, at least a third of the 300 or so members had money invested with Mr. Madoff.

The shame of the Madoff scandal seemed especially bitter here in part because the club is known for its noblesse oblige in requiring members to give tens of thousands of dollars each year to charity.

The attention was also particularly unwelcome for a community whose grand homes sit hidden behind 20-foot-tall ficus hedges and steel gates.

In cultivating an aloof mystique, Mr. Madoff had fooled those who fancied themselves the wiser.

Typically, investors needed at least \$1 million to approach Mr. Madoff. Being a member of this club also helped.

But even with those prerequisites, there was little guarantee that Mr. Madoff would take the client.

Looking out on the stunning beauty of the country club’s driving range, wedged between the Intracoastal Waterway and the Atlantic Ocean, one club member commented that the outsiders of Mr. Madoff’s clique turned out to be the lucky ones.

“It’s funny how these things work out,” the member said, adding that he had never tried to invest with the firm because he did not like Mr. Madoff’s unwillingness to explain his methods.

Ross B. Intelisano, a lawyer representing a collection of its members, said he thought relations at the country club and on the island generally might never be the same again.

“He had this reputation that he’s one of these guys, that he’s what Wall Street’s all about,” he said about Mr. Madoff. “It’s all about a handshake, and people trusted him.”

That sort of trust may be gone now, Mr. Intelisano said.

“People may not really trust the guys they play golf with,” he said.

Even before Mr. Madoff’s scandal, a way of life was coming under strain here.

In a world where worrying publicly about money was verboten, a worker at the country club said he was surprised recently that some patrons were asking about the prices of certain things on the menu or for certain golf course services.

Along the island’s extravagant shopping district on Worth Avenue, an attendant at the wealth management company Calibre, said he was at a conference meeting with investors who spoke glowingly of Mr. Madoff.

“They were attributing their success to their access to a guy like Bernard Madoff,” he said.

in recent months, some even came in his store to complain to him about their finances.

“And I looked out front and there is a Bentley when I saw they were driving a Lexus just two months ago,” he said.

“Palm Beach is a place of fantasy,” Mr. Leamer said. “There are no hospitals, funeral homes, people don’t talk about the negative.”

But in recent months, the overall financial crisis has been causing worry.

Mr. Leamer told of several friends who were aghast when a friend offered to take them out to dinner and he took them to a pizza parlor rather than the swanky spot they were used to going.

“Even though they still had millions, people were getting panicked about money,” he said. “They were angry that they were seeing such losses.”

For some on the island, the news of Mr. Madoff’s demise inspired soul-searching.

At Green’s Pharmacy, a popular lunch counter in downtown Palm Beach, a man who said two of his relatives were founding members of the country club wondered aloud whether the club’s unusually exclusive nature, especially among the wealthiest investors, is what enabled the suspected scheme to go on so long.

“There was such insularity of this inner circle of an already pretty exclusive club,” he said. But then he observed that lots of investors who were not members of the club had been duped, too.

“I don’t know,” he said. “The whole thing just makes you question your assumptions.”

*Thomas R. Collins contributed reporting.*