

Bernie Madoff's man to see

Debonair middleman Robert M. Jaffe finds himself in a most uncomfortable place

This story was reported by Jenn Abelson, Beth Healy, and Casey Ross of the Globe Staff. It was written by Abelson.

PALM BEACH, Fla. — Even in the rarefied world of high society in Palm Beach, Robert M. Jaffe cut quite the figure. With his impeccably coiffed hair, a golf game to envy, and a \$17 million waterfront mansion, he was a man to be seen.

He was also the man to see, if you wanted in on a sure thing — Bernard L. Madoff's investment fund.

Jaffe moved among the rich and richer in Palm Beach and Boston, finding suitable clients, among the many who clamored to get a piece of Madoff's irresistible, too-good-to-be-true investment returns.

But now the 64-year-old Newton native finds himself at the center of one of the biggest scandals to rock the financial world, which has wiped out billions of dollars from an A-list of the powerful and famous, as well as his closest friends, family — and himself.

As investigators unravel the \$50 billion Ponzi scheme allegedly masterminded by Madoff, Jaffe has become the subject of intense scrutiny as the New York money manager's debonair middleman. Unlike Madoff, who was aloof and rarely attended parties, Jaffe relished his access to wealthy friends and investors at country clubs and charity galas.

"Jaffe had access to Madoff, and that made him a superstar. He was bigger than life," said Herb Gray, a Boston native with a home in Palm Beach. He is a close friend of Robert I. Lappin, a Swampscott resident whose private family foundation financed trips to Israel for Jewish youth but was forced to shut down this month after losing all of

JAFFE, Page A18

its estimated \$8 million to Madoff.

As Madoff's financial empire has crumbled, so has Jaffe's place at the pinnacle of Palm Beach's social life. At the ritzy Mar-a-Lago club, an angry investor who lost millions with Madoff confronted Jaffe at a party last Saturday. Massachusetts Secretary of

State has since subpoenaed Jaffe related to the scheme. And his son's engagement party, which was supposed to be held at the exclusive Palm Beach Country Club last night, was abruptly canceled.

"He's in a terrible position. It's a tragedy," said Lawrence Sperber, a Boston lawyer who has a home in Palm Beach and has known Jaffe for more than 40 years and has friends who have lost millions of dollars. "Was he out selling Madoff? Yes. Did he use his contacts to sell the product? Yes. But he's as much a victim. I don't think he had any idea. And he's messed up his relationship with the rest of the world."

As vice president of Cohmad Securities Corp., a company set up primarily to bring in clients for Madoff, Jaffe offered coveted access to the legendary New York firm. Jaffe used to keep a small office on Commonwealth Avenue in Boston, but the MBA dropout functioned more as a symbol of the extraordinary wealth and status Madoff clients could achieve.

Jaffe, who drove a green 1954 MG TF British convertible, seemed to find more success doing business on the golf course than in the boardroom. And it showed in his game: Jaffe was the club champion earlier this year at the Palm Beach Country Club, according to the local paper.

As recently as the Thanksgiving weekend, Jaffe was in Palm Beach touting Madoff's supposed returns — a gain of about 8 percent at a time the rest of the stock market was down as much as 40 percent this year, according to a person who knows Jaffe.

Madoff, 70, has told federal authorities that he acted alone, and was charged on Dec. 11 with securities fraud for allegedly running a Ponzi scheme — paying one set of investors with money from another.

Massachusetts investigators are looking into questions such as whether Jaffe or his firm failed to protect investors they steered to Madoff. In an interview, Massachusetts Secretary of State William F. Galvin said he had subpoenaed Jaffe to better understand Madoff's operations. "Maybe Mr. Jaffe didn't know" about the alleged fraud, Galvin said, "but he certainly was a key player in getting people to invest."

But Jaffe may have been fooled by Madoff, according to several people who know him but would not speak publicly because of the sensitivity of the situation. So was his father-in-law, Carl Shapiro, the former dress merchant whose donations are evidenced by buildings across Boston hospitals and schools that bear his name. And it appears they trusted Madoff to the bitter end: As recently as two to three weeks ago, Madoff asked Jaffe and Shapiro to make additional investments, and they agreed, a spokeswoman for the families confirmed. The Shapiros, one of Madoff's early investors, have lost about \$545 million.

At Jaffe's creme-colored stucco home in Palm Beach, resplendent with marble floors and a waterfront cabana, a closed iron gate kept out visitors last week. When a reporter outside his mansion requested an interview on Tuesday, Jaffe replied: "Absolutely not." His 11,800-square-foot home sits two doors over from Madoff's manse.

The opulent estate was far from the moderate lifestyle of his childhood in Newton. He attended Rivers Country Day School in Brookline and earned his undergraduate degree in business administration at Boston's Suffolk

University in June 1967. Jaffe helped pay for college by working summers selling menswear at upscale clothier Louis Boston in the Back Bay.

Jaffe later developed a taste for luxury labels available at Louis, such as Brioni, Zegna, and Kiton. He even described himself as a clotheshorse in a 1998 story for Daily News Record, a men's fashion publication.

"The clothing I wear is more — dare I say — cutting-edge. It's a few years ahead of the pack," he said at the time. "Once you've had filet mignon, you don't want to go back."

Jaffe enrolled in Suffolk's MBA program in fall 1967 — and just months later, was engaged to Ellen Shapiro, who graduated from the Winsor School in Boston and attended Lesley College, according to their announcement in the New York Times. The two planned to marry in August 1968. He completed a year of the MBA program, attending classes through the spring semester of 1968, but Suffolk said he did not return the following year to finish his degree. The marriage would change everything, giving Jaffe entree into a rarefied world and ultimately, leading him to Madoff.

In 1969, Jaffe began his career in the brokerage business when he joined E.F. Hutton & Co. in Boston, where he spent the next decade working through one of the stock market's worst stretches this century. Jaffe left Hutton in 1980 to join the Boston office of Cowen & Co., where he worked for the next nine years. During another turbulent stock trading session in July 1989, Jaffe, then regional vice president at Cowen, told in an interview with the Globe at the time. "We're not running away from the market. We're just being more selective."

But he left Cowen a few months later for Cohmad Securities, a small brokerage that shared a floor with Bernard L. Madoff Investment Securities at

the Lipstick building in Manhattan. By then, Madoff had long managed the investments of Jaffe's father-in-law, Carl Shapiro, the so-called cotton king of the garment industry who made a fortune after selling his Kay Windsor Inc. dress business in 1971.

Among investors in Palm Beach, Massachusetts, New York, and elsewhere, Madoff gained a reputation as a Wall Street whiz

kid who created a safe way to earn steady returns. The former Nasdaq chairman claimed to have a strategy that earned annual returns of 10 to 12 percent by actively trading stocks and options. The alleged result: returns that rivaled aggressive stock funds yet were sold as conservative investments.

But part of Madoff's allure was his exclusivity. He enlisted several middlemen, such as Jaffe, who focused on recruiting clients with a high net worth. Investors and potential investors say that Madoff at times made it difficult to get in, often requiring connections and an investment of more than \$1 million.

Jaffe provided those connections. Although his primary residence is in Palm Beach, he also has a home in Weston and is a member of the Pine Brook Country Club. A large number of the 360 members of the Weston club had investments with Madoff, according to members and employees. Jaffe played as recently as this fall on Weston's rolling fairways, where he was known as generous tipper.

But Jaffe seemed to some who dealt with him to have had only superficial knowledge of Madoff's approach. One Boston investor, who asked for anonymity because he does not want his losses publicized, said Jaffe routinely asked him for copies of his monthly statements from Madoff, because the statements were not sent to Jaffe directly. After his statements continued to

report steady returns, even during periods of decline in the stock market, the investor said he and a financial adviser met with Jaffe in his office to ask about Madoff's strategy.

"He was kind of brusque, like he didn't have time for the questions," the investor said, recalling the meeting with Jaffe. "He gave answers, but they were answers that didn't invite a lot of in-depth questioning."

Edward Dangel, a Boston attorney representing some Madoff investors, said he is examining the role of middlemen like Jaffe and whether they did enough due diligence on the investments they were peddling. "We're looking into what these advisers would have been in a position to know and figure out," Dangel said.

Jaffe, who also runs M/A/S Capital Corp., a family-operated investment firm in Palm Beach, told the Palm Beach Daily News in an interview last week that he would refer potential investors to Madoff. If they became clients, Jaffe would be paid 1 to 2 percent of the value of the first successful trade.

He described this arrangement as "a common approach in the business."

But that admission has taken some people in Palm Beach by surprise. People thought the breezy socialite was helping out friends by putting them in touch with Madoff.

The fallout goes way beyond the loss of personal wealth. Some say the cloud over Jaffe raises questions about his vast philanthropic efforts and leadership roles, including positions as chairman of the Palm Healthcare Foundation, an overseer of the Beth Israel Deaconess Medical Center, and co-chair with his wife of the 2009 Dana-Farber Cancer Institute and Jimmy Fund's Palm Beach "Discovery Ball."

"The Jaffes are extremely generous people and wonderful phil-

anthropic leaders," said Suzette Wexner, chief executive of Palm Healthcare Foundation, a West Palm Beach group that funds nonprofits. "There's a lot of angst for Bob's family and what's happened to so many people and the Jaffe family."

And these days, places where Jaffe was eagerly welcomed — like the Palm Beach Country Club — are filled with tension and uncertainty. The club, with members like Patriots owner Robert Kraft and real estate developer Steve Weiner, was hit hard with some members estimating that at least a third of the roughly 300 members lost money.

The tension was more palpable last Saturday at Donald Trump's swanky Mar-a-Lago club where Jaffe and 78-year-old Jerome Fisher, founder of the shoe store chain Nine West, almost came to blows at a black-tie event, according to Trump.

"Mar-a-Lago looked beautiful, but there were a lot of depressed people there," Trump said. "There are a lot of people upset at Mr. Jaffe."

Jenn Abelson can be reached at abelson@globe.com. Jonathan Saltzman, Ross Kerber, Steven Syre, and Jeffrey Krasner of the Globe Staff also contributed to this article.

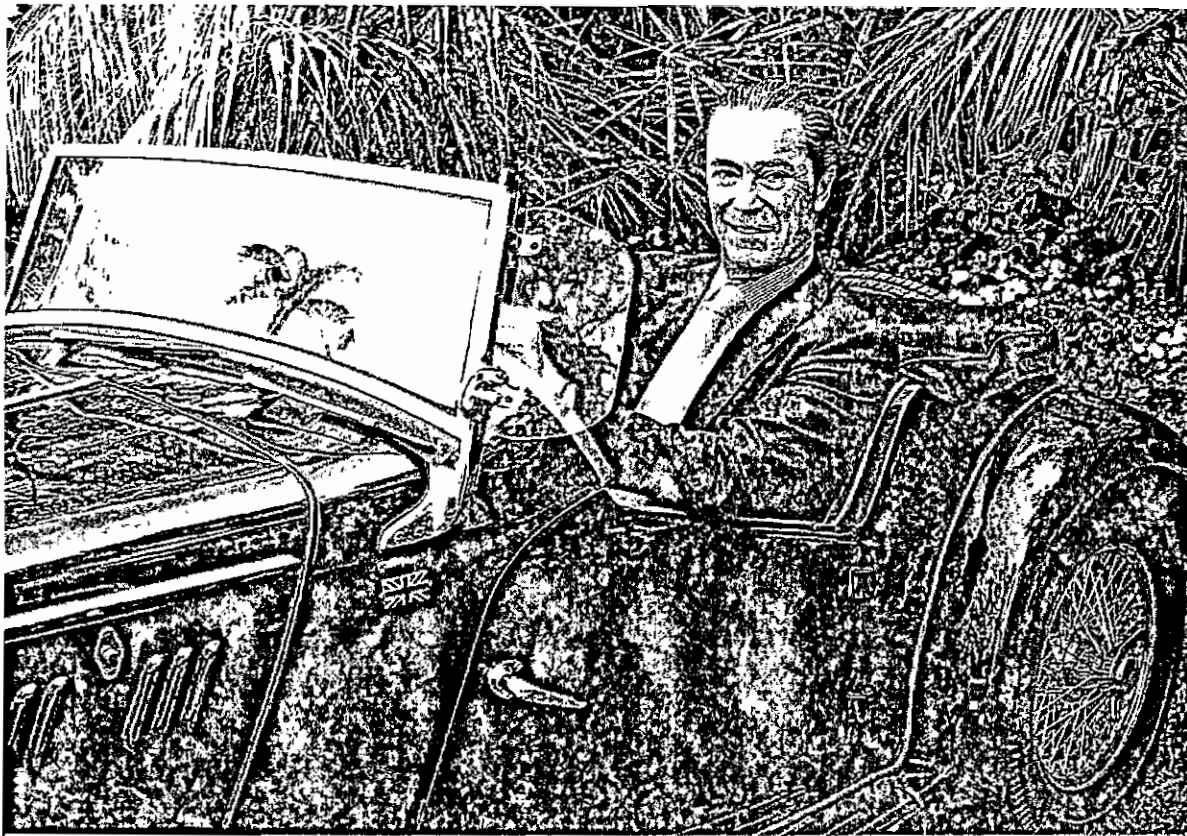
READ MORE
For more coverage on Madoff, go to www.boston.com/business.

Jaffe is 'as much a victim. I don't think he had any idea.'

LAWRENCE SPERBER

'Jaffe had access to Madoff, and that made him a superstar.'

HERB GRAY



GREER GATTUSO/PALM BEACH DAILY NEWS/FILE

Robert Jaffe in his vintage MG from the Palm Beach Daily News annual selection of stylish Palm Beachers.



JEFFREY LANGLOIS/PALM BEACH DAILY NEWS - FILE

Robert and Ellen Jaffe browsed contemporary art during Art Basel in Miami Beach in 2005. Behind them was a work by Jonathan Meese, from Contemporary Fine Arts in Berlin.

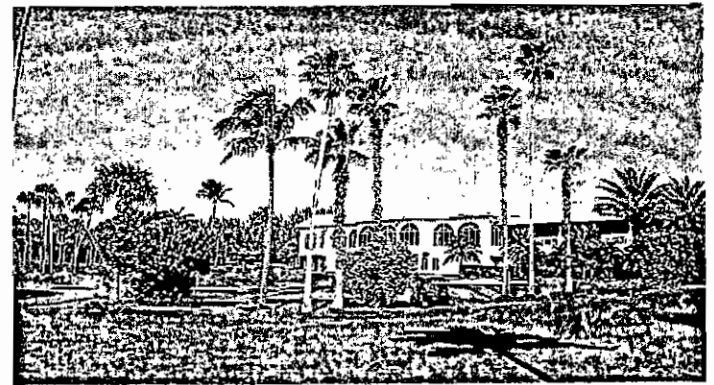


PHOTO BY JOE RAEDLE/GETTY IMAGES - FILE

The Palm Beach Country Club is where Bernard L. Madoff is said to have recruited some of his investors to his fund.