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Redemptorist fathers caught in Madoff ponzi scheme

by Tom Gallagher

The Redemptorist Fathers of the Baltimore province may have to ?reduce, suspend or cancel? some of their ministries because of ?significant? losses they suffered as clients of Bernard Madoff, the New York financier charged with defrauding thousands of investors in an elaborate Ponzi scheme.

The Baltimore province of the worldwide order, officially known as the Congregation of the Most Holy Redeemer, provided NCR with a statement Feb. 11 acknowledging the losses. The Redemptorists were among at least three Catholic groups included on Madoff?s client list, released earlier this month by a New York bankruptcy court.

The colossal \$50 billion Ponzi scheme engineered by Madoff has been characterized, in part, as an affinity fraud because he seems to have exploited his Jewish connections in New York City, Florida and other parts of the United States and abroad. Famous names like Frank Lautenberg, U.S. senator from New Jersey; Elie Wiesel, the Nazi concentration camp survivor and peace activist; Fred Wilpon, owner of the New York Mets; filmmaker Steven Spielberg; and Zsa Zsa Gabor, the 91-year-old actress; were among those to have invested with Madoff.

Yet not all of the investors were Jewish or commercial entities. Included in the list of more than 13,000 Madoff clients were the Redemptorists, the St. Thomas diocese in the Virgin Islands, and St. Thomas Aquinas High School in Fort Lauderdale, Fla.

The Redemptorists had been investing with Madoff since 1992, according to Marion Lunt, director of communications for the Baltimore province. Funds from the investment, according to the statement, ?were used to fund Catholic-school scholarships for inner-city children, to train future priests and brothers, to care for our elderly members, and to fund other pastoral ministries, such as financial support to those suffering from the ravages of Hurricane Katrina and the terrible tsunami of December 2004.?

Lunt said the amount lost was "significant," but that the priests were "uncomfortable" releasing a precise amount. She referred questions about how the order became involved with Madoff and how it intended to account to donors to superiors in Rome. Superior General Joseph Tobin was reportedly at a meeting in the Philippines and could not be reached.

Fr. Gary Ziuraitis, director of communications for the order in Rome, said each province is its own jurisdiction and handles its own finances. He said the order's leaders in Rome were not privy to the details of the investment and said some of it may have come from stipends priests received.

"Our order runs very much on subsidiarity," he said. "We don't have a centralized government."

The financial loss will hurt the order beyond the Baltimore province because the province had volunteered contributions to be used in other parts of the world, "and they're not going to be able to do that as much."

The Redemptorist statement said it was "with sadness in their hearts" that it acknowledged "that some of the good works and ministries of the province may now be reduced, suspended or canceled due to the loss of the funds."

The St. Thomas diocese lost approximately \$2 million from the diocese's savings account and from the endowment funds for two elementary schools on the island of St. Croix. In mid-December, the newly installed Bishop Herbert Bevard assured parishioners that the diocese and schools would not be hurt by the losses and that his internal review confirmed that the diocese undertook adequate due diligence and research before making the investment, *The Virgin Islands Daily News* reported last December.

Bevard and his finance director were out of the office and not available on Thursday when calls were placed to the diocese.

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Msgr. Vincent Kelly, supervising principal of St. Thomas Aquinas High School, confirmed that the school had an account with Madoff some 12 years ago, did not lose any money, and no longer has an account with Madoff, according to a story in the South Florida *Sun-Sentinel*. In addition, Kelly opened up a personal account with Madoff, as did his family foundation, the Kelco Foundation, the paper reported.

Kelly did not return a message left at the school.

Madoff's strategy involved buying stocks, while also trading options "which grant the right, but not the obligation, to buy or sell securities at preestablished prices in the future" in a way designed to limit losses on the shares. Many investors say they were told they had gains of about 10 percent for many years. In fact, monthly account statements reflected bogus gains. Now the money is gone for good for most of these investors.

(Thomas Gallagher is an NCR contributor. Tom Roberts, NCR editor at large, also contributed to this story.)

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