

NEW YORK STATE DEPARTMENT OF LAW
CHARITIES BUREAU

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:
In the Matter of
:
World Jewish Congress and
World Jewish Congress (American Section) Inc. :
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**ASSURANCE OF DISCONTINUANCE
PURSUANT TO EXECUTIVE LAW § 63(15)**

PRELIMINARY STATEMENT

In late 2004, the Office of the Attorney General (“OAG”) began to investigate, pursuant to the Attorney General’s authority under § 8-1.4 of the Estates, Powers and Trusts Law (the EPTL), the administration of charitable assets by the World Jewish Congress (“WJC”). The investigation also reviewed, under the additional authority of § 112 of the Not-for-Profit Corporation Law (N-PCL) operations of the World Jewish Congress (American Section), Inc. (“American Section”), a New York not-for-profit membership corporation. WJC and American Section have cooperated with the OAG in its investigation.

Before the investigation began, WJC and American Section had begun efforts to strengthen their governance and institute fiscal controls. Those efforts were necessary because deficiencies in those areas had led to failures in the proper administration of charitable assets. In one instance, the former Secretary General and Chairman of the Governing Board transferred \$1.2 million in charitable assets out of WJC, without taking adequate measures to protect WJC’s ownership interest in the money to ensure its return to WJC. These deficiencies also contributed to (i) unreasonable and/or unreported compensation to WJC/American Section employees;

(ii) unsubstantiated cash disbursements; and (iii) practices for soliciting contributions that did not formally comply with relevant state and federal laws. These shortcomings did not compromise the core mission of the WJC or American Section; nor did they impair the effectiveness of WJC. In addition, they did not result in defalcations or other identifiable losses of charitable assets. To the extent that monies were inappropriately expended on behalf of senior WJC/American Section employees, they have been repaid to American Section based on terms satisfactory to the OAG or will be repaid under this agreement. In sum, based on the significant remediation independently undertaken by WJC, the repayment of monies inappropriately expended and the undertaking by WJC that its former Secretary General and Chairman of the Governing Board shall continue to serve WJC only in a capacity with no responsibility for financial management or oversight, the OAG is prepared to enter this Assurance of Discontinuance (“Assurance”).

FINDINGS

This Assurance contains findings relating to the administration of charitable assets by WJC and American Section; it does not contain findings regarding allegations that the OAG investigated that were found to be either unrelated to the administration of charitable assets or immaterial.

Relevant Organizations and Persons

1. WJC is an international association organized under Swiss law of representative Jewish bodies, communities and organizations, founded in 1936 to foster the unity of the Jewish people and to mobilize the world against the Nazi onslaught. It has been a leader in seeking and obtaining Holocaust restitution for victims of Nazi persecution, protecting the human rights of Jews and others facing persecution, fighting antisemitism, protecting small or threatened Jewish

communities and promoting dialogue with religious leaders of various faiths. It has five Regional Branches covering North America, Latin America, Europe, Israel and Euro-Asia (referred to collectively as “Regional Branches”) and maintains representative offices in Brussels and Geneva. Since 1983, its administrative headquarters have been located in New York, New York.

2. American Section is the representative body for its member organizations in the United States and is itself a member of the North America Regional Branch. American Section shares office space with WJC in New York City. Although American Section has its own board, it operated until the fall of 2004 as an instrument of WJC.

3. Edgar M. Bronfman has been president of WJC since 1979. He has contributed tens of millions of dollars to WJC’s operations over the last quarter of a century. During his tenure, WJC grew from an organization burdened by debt into an organization with annual revenues in excess of \$11 million. While Bronfman has been instrumental to WJC’s many accomplishments, he did not exercise control over its day-to-day operations.

4. Israel Singer joined WJC in 1972. He served as WJC’s Secretary General, the senior professional at the organization, from 1986 until October 2001, when he announced his retirement from that position. From November 2001 through January 2006, Singer served as Chairman of WJC’s Governing Board. He is now Chairman of the World Jewish Congress Policy Council, a recently-created body whose mandate is to advise WJC’s Governing Board on mission initiatives.

5. Avi Beker joined WJC as a full-time employee in 1985. From 1985 until October 2001, he served as the head of WJC’s Israel Branch. He succeeded Singer as Secretary General

and moved to New York in March 2002 to assume the duties of that position. Beker resigned from that position in October 2003.

6. Elan Steinberg joined American Section in 1974, and became its Executive Director in 1984. He also became WJC's Executive Director in 1986 and then assumed the title of WJC Executive Vice President in 2001. He resigned as Executive Director of both organizations in early 2002. In September 2003, Bronfman appointed him Senior Advisor to WJC; Steinberg resigned from all WJC positions in September 2004. Among Steinberg's responsibilities, he oversaw fundraising.

WJC's Structure, Governance and Leadership

7. A central source of the weakness in WJC's financial administration was the absence of any oversight of financial matters by its governing bodies. WJC's governance, outlined in a constitution adopted in 1976, did not provide the necessary accountability required for an organization that receives most of its funding in the form of grants of charitable dollars from American Section, a tax-exempt corporation in the United States. Although WJC's 1976 constitution created four governing bodies – a Plenary Assembly, a General Council, a Governing Board and an Executive – none of these bodies took an active role in running the day-to-day affairs of WJC. Indeed, prior to August 2004, WJC had no active body overseeing administration and financial management. Instead, WJC's senior personnel handled finances informally without any administrative oversight or internal controls. The bookkeeping staff lacked professional training in accounting.

8. Efforts during the latter part of 2003 and early 2004 to institute a functioning governance structure at WJC and American Section proved unavailing. For example, a three-person Operations Committee was appointed in October 2003 with authority, among other

things, to determine budgetary authorization and “to authorize all expenses – including travel – for the WJC offices” but was disbanded. Finally, in August 2004, among other measures, Bronfman appointed an eleven-person Steering Committee, which the Plenary Assembly approved the following January.

9. As a Swiss association with no corporate presence in the United States, WJC relied on American Section to perform such fiscal functions as compensating its employees, maintaining its bank accounts, and fundraising. At all times relevant to the OAG’s investigation, WJC’s primary source of revenue was support from donors in the United States. WJC had two accounts at Bank Leumi in New York, which it maintained under American Section’s employee identification number: the “05” account, into which charitable donations were deposited, and the “07” account, which was used to fund WJC’s overseas operations. Although most of WJC’s member organizations did not contribute financially to WJC, one such organization, the Jewish Agency For Israel (“JAFI”), made payments directly into the 07 account in New York under various arrangements worked out between JAFI and WJC.

10. Despite annual revenues in excess of \$11 million, WJC’s and American Section’s books and records were not computerized; there was no accounting manual; there were no written policies or procedures regarding employment, travel or entertainment; and record maintenance was erratic.¹

¹ In the course of this investigation, WJC could not locate in its files various documents relevant to the matters under investigation. WJC could not determine whether the documents had in fact ever been in WJC’s files, but maintained that many missing documents had been in the files but were lost, possibly during office renovation or personnel moves, or were removed from the files by former employees.

11. The neglect of fiscal oversight and the obligation to properly administer charitable assets extended to American Section's relationship with its auditor Loeb & Troper. Loeb & Troper provided management letters to American Section annually, except for 2000. Although those letters noted financial control deficiencies, they were not reviewed, much less acted upon by American Section's managers. During certain years relevant to this investigation, Steinberg and Singer signed American Section's Forms 990 without reviewing them or discussing them with the auditors.

12. Another deficient area was WJC's administration of funds sent to its foreign offices. In particular, WJC in New York did not receive copies of bank statements or audited reports from its Regional Branches or representative offices. In the fall of 2004, WJC commissioned Konigsberg Wolf & Co., an accounting firm that had not previously worked for WJC, to prepare a consolidated financial statement of WJC's entire operations, comparing total income and expenses of all offices and Regional Branches for the period of 1999 through 2003. With the exception of the Geneva office, Konigsberg did not find any financial irregularities; receipts were slightly higher than expenses. Based on the deficiencies identified in the records of the Geneva office, WJC hired PriceWaterhouseCoopers to conduct a retrospective transactional audit of the Geneva office's accounts at UBS. From its audit, PriceWaterhouseCoopers concluded that a significant portion of the deposits and withdrawals could not be reconciled to documentation, although part of the discrepancy appeared attributable to the Geneva office's practice of paying a significant portion of its payroll in cash. While PriceWaterhouseCoopers detected no indication of embezzlement, it found the Geneva office's records incomplete and disorganized.

13. By failing to institute appropriate financial management and controls, WJC, American Section, Singer and Steinberg did not properly administer the charitable assets within their custody and control as required by EPTL § 8-1.4.

The Transfer of the \$1.2 Million Pension Fund

Introduction

14. Over a five-month period from October 2002 to February 2003, Singer transferred \$1.2 million from WJC's account in New York to an account of WJC's office in Geneva to create a pension fund for his retirement, without seeking authorization from any of WJC's governing bodies or keeping a record of the fund in the files of WJC's New York headquarters. In July 2003, he arranged to transfer the money to an account in London under the custody of an Israeli attorney without specifying the terms of the custody arrangement. Although he trusted the attorney, Singer did not maintain control over the fund while it was in the attorney's possession. After discussion of these transfers by the Operations Committee, the fund was returned (with interest) in August 2004 to an American Section account in New York. Singer's movement of this money, without the approval of any governing body of the WJC, and his appointment of a custodian without an agreement establishing the terms of the custodianship, violated his fiduciary duties as a trustee of charitable assets and reflected significant weaknesses in the financial administration and internal controls at WJC.

The JAFI Contribution

15. The transfers involved money originally contributed to WJC by JAFI in January 2001, pursuant to a 1990 agreement by JAFI to provide \$500,000 per year to WJC; the \$1.5 million covered JAFI's commitment for the years 1998 through 2000. Although this money was not earmarked by JAFI for any particular purpose, a March 15, 2005 report by Ernst & Young

notes that, as early as 1983, the funding arrangements between JAFI and WJC had contemplated as a purpose pension support for former WJC employees. In 1997-98, JAFI considered a proposal to include in its own pension plan Singer and possibly Steinberg and Beker, but the proposal was never implemented.

16. Although JAFI did not designate the \$1.5 million payment specifically for pensions, the evidence shows that in December 2000, Singer had determined to use this money to fund a WJC pension plan for himself and Steinberg. On December 26, 2000, Singer wrote to Mendel Kaplan, then Chairman of WJC's Executive Committee and head of JAFI's Board of Governors, acknowledging JAFI's commitment to transfer \$1.5 million to WJC and further stating that the funds would be "the basis for the pensions plan that we will institute." Singer did not circulate copies of this letter or raise the issue of establishing a funded pension plan with WJC's governing bodies, either before or after he sent the letter to Kaplan. By late 2000, the lack of a funded pension plan had become a concern of the senior officers of the WJC. Singer and Steinberg discussed the need for a pension fund on numerous occasions, and from time to time, Singer had raised the subject with Bronfman.

17. Only former employees of WJC's Geneva office participated in a funded pension plan. Sometime in the late 1970s, WJC employees worldwide were offered the opportunity to participate in a contributory pension plan managed by a Zurich life insurance company, but only a few employees in the Geneva office had accepted the offer. Although WJC did not have a funded pension plan, it had a longstanding unwritten practice of making so-called "*ex gratia*" payments out of general operating accounts to employees who retired. The payments – which generally reflected a percentage of each retiree's salary multiplied by years of service – were made not out of a legal obligation, but rather as a matter of grace or favor, with no assurance that

they would continue. However, WJC employees appear to have had an expectation that they would receive such post-employment compensation after they retired. In 2001, WJC's annual cost of making *ex gratia* payments to retired employees was only about \$107,000 out of its total 2001 operating costs of \$9.9 million. But the prospect of *ex gratia* payments to such higher-salaried employees as Singer and Steinberg when they retired meant that WJC's costs would rise substantially.

The Geneva Transfers

18. Between January 2001, when JAFI wired the money into WJC's 07 account and September 2002, the JAFI money remained untouched in WJC's 07 account. Beginning in October 2002, Singer instructed WJC's former Director of Organization, Sidney Gruber, who by then worked part-time at WJC, to transfer money from WJC's 07 account to an account of WJC's Geneva office at UBS SA Geneva. Between October 2002 and February 2003, five requests signed by Gruber and American Section's bookkeeper were sent to Bank Leumi, directing that a total amount of \$1.2 million be transferred from WJC's 07 account to a bank account of the Geneva office at UBS Geneva (the "60K account"). Two signatures were required to withdraw money from WJC's 05 and 07 accounts at Bank Leumi; Gruber and the American Section bookkeeper were signatories on those accounts. Gruber has confirmed that Singer stated that the money was for Singer's pension. The transfers occurred on dates and in amounts as follows:

October 15, 2002	\$500,000
November 21, 2002	\$150,000
December 20, 2002	\$200,000
January 8, 2003	\$150,000
February 10, 2003	<u>\$200,000</u>
Total:	\$1,200,000

19. Singer did not report his creation of a pension fund in Geneva to other WJC leaders during or immediately after the money transfers. The only persons who definitely knew about the fund prior to mid-2003 were Singer, Gruber, American Section's bookkeeper and the bookkeeper in the Geneva office. Although Singer claims that the existence of the fund was known to other WJC officers, including Beker (WJC's Secretary General at the time) and Steinberg, Beker denies having any knowledge of the fund before October 2003. Steinberg – with whom Singer had discussed WJC's need for a funded pension on numerous occasions – was no longer working at WJC in late 2002 and early 2003, when the transfers took place. Steinberg returned to WJC in the fall of 2003, but claims not to have learned about the fund until July 2004.

20. Most significantly, WJC maintained no records in New York from which the existence of an asset designated as a pension fund in Geneva readily could have been detected. Although Gruber retained the transfer records in his files for WJC's 07 account, along with the monthly account statements, and American Section's bookkeeper recorded each transfer in the check ledger for WJC's 07 account, none of these documents identified the purpose of the transfers. Prior to 2005, WJC did not keep computerized financial records, and all transactions in the 07 account were recorded manually in a check ledger. Following WJC's customary practice in regard to wire transfers, American Section's bookkeeper made no entry in the check ledger stating the purpose of the transfer. Accordingly, no one reviewing WJC's 07 account ledger would have learned the intended purpose of the transfers or that the money was for any purpose other than to pay expenses of the Geneva representative office. Nothing in the ledger distinguished the five transfers from other transfers WJC routinely made to the Geneva office to support WJC's Geneva operations.

21. Further, as of 2002 and 2003, WJC maintained no records that would have reflected the creation or maintenance of a pension fund in the Geneva office. As recently as 2002, WJC did not prepare consolidated financial statements recording revenues and expenses, or assets and liabilities, of its entire operation, including the Regional Branches and representative offices. American Section prepared audited financial statements that included statements of revenues, expenses, assets and liabilities, and its records reflected transfers from the 05 account to WJC's 07 account as expenses, but American Section's auditors, Loeb & Troper, did not audit the 07 account or trace the funds after they left that account. WJC's New York office did not receive bank statements for the Geneva office's bank accounts. Accordingly, when the \$1.2 million left WJC's 07 account, no record reporting the existence of a pension fund in this amount remained in WJC's New York office. That recordkeeping deficiency made the funds vulnerable to loss and thus violated the obligation to properly administer charitable assets as required by EPTL § 8-1.4.

The Transfer of the Pension Fund to London

22. Sometime in mid-2003, Singer decided to move the \$1.2 million from the 60K account in Geneva to an account in London under the custody of Zvi Barak, an Israeli attorney who was Chairman of the pension fund for JAFI employees, and had worked closely with WJC in Holocaust restitution efforts. Although he had no formal relationship with WJC in June 2003, Barak had been assisting Singer since late 2001 in discussions with the Jewish Joint Distribution Committee ("JDC") to see whether Singer could join JDC's employee pension plan.

23. Singer claims that he placed the money in Barak's custody because he did not trust the newly hired director of the Geneva office. Singer, Beker and the Geneva office bookkeeper had signatory rights over the office's UBS accounts; the new director had requested

signatory rights and, when they were granted, with the then anticipated departure of the office's bookkeeper, the director would be the only person in the Geneva office with signatory power over the 60K account. Having advised Bronfman, Singer proceeded with a plan to entrust Barak with custody of the pension fund without considering the alternative of limiting the Geneva office director's signatory power to certain designated accounts.

24. On or about Tuesday, June 24, 2003, with approval from Beker, the new director of WJC's Geneva office advised the office's bookkeeper that his employment was being terminated. During the spring, the director had come to believe that the bookkeeper was guilty of financial misconduct and discussed her concerns with Beker, who had relayed them to Singer.

25. On or about June 26, 2003, at Barak's request, Singer faxed a handwritten retainer to Barak appointing him custodian of the pension fund. The document does not set forth any terms or conditions for the custodianship. In its entirety, it states:

AS WE DISCUSSED I WOULD LIKE TO ASK YOU TO ACT AS THE
CUSTODIAN OF THE FUNDS WE HAVE IN OUR INTERNATIONAL FUND
OF THE WJC AS THERE ARE SEVERAL OTHER PROBLEMS WE ARE
ENCOUNTERING IN GENEVA THAT YOUR EXPERTISE IN THIS FIELD
MAY HELP US RESOLVE SEE YOU THERE.

Singer failed to keep a copy of the faxed handwritten note. A copy was provided to WJC by Barak in December 2004.

26. In October 2004, Barak sent Bronfman a letter stating, "For good order's sake, I wish to clarify that, upon your request, I agreed on July 1, 2003 to serve as custodian for the pension monies of the World Jewish Congress." Bronfman does not recall speaking to Barak about Barak's taking custody of the pension fund.

27. On or about June 30, 2003, Singer went to Geneva. The following day, he accompanied the WJC Geneva office's bookkeeper (who had been told that his employment was being terminated but who still had signatory authority over the 60K account) and Barak to UBS, where they arranged for the transfer of \$1,199,979.64 from the 60K account to a Barak-controlled account at HSBC Bank in London. The UBS transfer document describes the money being transferred as "for the pension."

28. Despite repeated requests from WJC and the OAG, Barak has declined to produce any written records of the HSBC account into which WJC's funds were transferred. He identified the account holder as Solar International Finance Ltd., ("Solar"), a privately held corporation in which he holds an ownership interest. Solar is unrelated to WJC.

29. Singer placed the pension fund in Barak's custody in July 2003 without entering into any custody agreement establishing Barak's obligations and responsibilities with respect to the money. Accordingly, there were no arrangements for WJC to obtain documentation of the account where the money was held and no directions regarding how the money would be invested. Moreover, nothing documented WJC's ownership interest or ability to recover custody of the money if Barak died, disappeared or became incapacitated or if he or Solar became insolvent. As a fiduciary of WJC, Singer's transfer of the pension fund under these circumstances violated the obligation to properly administer charitable assets under EPTL § 8-1.4.

The Discovery of the Transfer to HSBC

30. In early October 2003, the director of the Geneva office received a statement from UBS detailing the wire transfer from the 60K account to the HSBC account and noting a small overdraft in the 60K account for the cost of making the wire transfer. She then went to UBS and

obtained a statement of the 60K account for the entire year, which confirmed that the July 1 transfer was the only withdrawal from the account. UBS had sent quarterly bank statements for all accounts to the Geneva office, but the director says that she had not seen a 60K account statement before October 2003.

31. The director reported her discovery of the 60K account to Beker, who raised the issue with Singer but received no explanation of the account. Beker left WJC later that same month, and did not undertake any further inquiry regarding the 60K account. In October 2003, the Geneva office director also told Daniel Lack, a part-time legal advisor in the Geneva office, about the transfer of the \$1.2 million.

32. On or about July 14, 2004, Daniel Lack sent Singer a memorandum. Among other things, Lack's memorandum explicitly requested an investigation of the transfers of the \$1.2 million. Singer provided the memorandum to WJC's Operations Committee, which discussed the existence of the fund at its meeting on July 18, 2004. The minutes of that meeting report that Singer told the Committee that the transfer of the \$1.2 million from the UBS account by Barak was "an authorized transfer to an account earmarked for purposes of WJC pensions." At the direction of the Operations Committee (absent Singer who had recused himself), Steinberg called Barak to request return of the money. Subsequently, based on Singer's representations that the money in the HSBC account came from the \$1.5 million contribution by JAFI, Steinberg arranged for the transfer of an additional \$300,000 from the 07 account into a newly-opened account at Bank Leumi, which occurred on August 3, 2004.

33. Barak caused the transfer of \$1,211,980 to a designated account at Bank Leumi in New York on or about August 10, 2004. Although he reported to Bronfman that the money had been invested in an HSBC International Liquidity Fund between October 2003 and August 2004,

Barak did not explain how or where the money was invested between July 1, 2003 (when it was first transferred to his custody) and October 2003.

WJC's Investigation of the Pension Fund

34. In response to questions raised within WJC concerning the creation of the pension fund and the New York-Geneva-London transfers of those monies, Stephen Herbits, who Bronfman had appointed as WJC's Transition Director in August 2004, launched an internal investigation. At Herbits' direction, WJC engaged two public accounting firms, Loeb & Troper (American Section's auditors), and PricewaterhouseCoopers to review the records of the transfers. Both firms traced the money from the 07 account to the HSBC account and found no impairment of the funds. PricewaterhouseCoopers concluded that from the date of the opening of the 60K account until July 1, 2003, the account saw no other transactions, with the exception of one erroneous credit on November 5, 2003 that was reversed the same day. While these accountants' reports confirm that the money remained intact until it was moved to HSBC, and that at least \$1.2 million was returned to WJC in August 2004, neither report nor any other documentation establishes that, as a legal matter, WJC at all times maintained control over the money, contrary to a conclusion reached by the internal investigation.

35. But as WJC's internal investigation confirmed, the evidence ultimately does not support a conclusion that Singer intended to use the money transferred to Barak's custody for any purpose other than to create a pension fund. However, Singer was not entirely open with some of his WJC colleagues about the existence of the \$1.2 million transferred to Geneva and London. For example, when WJC agreed, in April 2004, to provide annual lifetime pensions to Singer and Steinberg of \$150,000 and \$92,000, respectively, Singer did not identify the money in Barak's custody as a funding source for these pensions.

Other Matters

36. During this investigation, the OAG considered allegations that Singer did not transfer the \$1.2 million to create a pension fund, but rather, that his true intent was to use the money to participate in a proposed consulting business with Barak and Curtis Hoxter, the owner of a public relations company that provided consulting services to WJC on matters relating to restitution efforts involving the Swiss banking communities, among other things. These allegations were not substantiated.

37. Singer, Hoxter and Barak had worked together during the Holocaust restitution negotiations with the Swiss banks in the late 1990s. Sometime around 2001, the three men began to consider the possibility of forming a consulting business that would be developed around Hoxter's public relations business. It is undisputed that Barak, acting as an intermediary between Singer and Hoxter, was the one who most actively pursued the proposal, and that Hoxter and Singer were not seriously interested in the venture.

38. Beginning in December 2001 and continuing until mid-June 2003, Barak's law office circulated draft memoranda of understanding outlining in general terms various arrangements for the proposed consulting business. In late 2002, Hoxter retained counsel who commented on the proposals.² On or about June 15, 2003, Barak circulated a draft memorandum of understanding that no longer identified Singer as a partner in the venture; instead, Singer was to be "off-counsel" [sic] to a company owned by Barak. Although Barak continued to pursue the

² Singer's contribution to the venture was to be in the form of new business representations. Although two of Barak's various drafts in 2002 contained a provision that Singer would be expected to make a monetary contribution of an unstated amount to acquire shares in the proposed venture, prior and subsequent drafts omitted any such provision, which, in any event, did not appear in the proposal circulated on March 24, 2003, several months before Singer's July 1, 2003 transfer of \$1.2 million to Barak.

discussions regarding a possible venture until mid-August 2003, by then both Hoxter and Singer had lost any interest they had in the proposal. Singer did not conceal his consideration of the proposed joint venture. Indeed, he openly discussed the proposal with both Steinberg and Herbits individually in 2002. They each counseled him that the business would create a conflict of interest with his work with WJC and was not something he should pursue. There is no evidence that Singer and Barak ever discussed using the \$1.2 million “pension fund” for the proposed business venture.

Compensation of Senior WJC Officers

39. The deficiencies in fiscal management, control and administration of the charitable assets of WJC and American Section extended to the compensation of WJC officers. The amounts of compensation and its components were not approved by WJC’s Governing Board or Executive Committee, or by American Section’s board. Nor were there records or policies providing how compensation for such officers was determined or reviewed. Certain components of the compensation, including car leases, life insurance, and private school tuition for the children of Beker and Steinberg were not reported on American Section’s Forms 990, to the Internal Revenue Service, or to the recipients.

40. In 2001 and 2003, Singer received a total of \$84,949 in loans from American Section. American Section’s bookkeeper recorded the loans on its books as “coded to suspense,” and they were not reported on American Section’s Forms 990, as they should have been. Singer repaid the loans in the course of this investigation with interest compounded annually and calculated at the applicable federal rate (\$97,238).

41. In the course of this investigation, Singer also reimbursed American Section \$88,875 for amounts he had received from 2001 to 2004, that did not constitute compensation

relating to the performance of his duties for WJC, including life insurance for his wife, major medical insurance for one of his children, and 15% of his car lease payments.

42. In the course of the investigation, the OAG identified similar issues with respect to compensation to Steinberg and Beker, including payments made on their behalf for percentages of car lease payments and life insurance for a spouse.

43. After Singer began his service as Chairman of the Governing Board in March 2002, he began to receive *ex gratia* payments which were to be calculated at the rate of 2.32% of the annual salary he had received as Secretary General multiplied by his years of service. These *ex gratia* payments increased in 2003 and 2004. Neither the underlying formula nor the amounts of these so-called *ex gratia* payments were approved or reviewed by anyone other than Singer and the bookkeeper. Singer was not alone in receiving increases in 2003 and 2004.

WJC/American Section employees also received increases to their compensation in those years.

44. Following his retirement as Secretary General, Singer received in installments a total of \$308,000, which was characterized variously by American Section's bookkeeper as accrued vacation and unused sick time. American Section's bookkeeper initially calculated a payment of \$176,000 based on 35 weeks of accrued vacation time. In the absence of any documentation such as an employment manual or other written policy, or time and attendance records, the additional \$132,000 is not reasonable compensation under N-PCL § 202(a)(12).

Travel Expenses, Credit Card Usage and Cash Disbursements

45. Another area in which WJC and American Section failed to properly administer their charitable assets was in its practices relating to employee travel and cash advances.

46. WJC did not have a written travel policy. WJC authorized the use of personal credit cards to pay for travel expenses and generally reimbursed employees for those expenses.

In the case of Singer, Singer had a credit card that he used principally for WJC purposes. American Section accepted his credit card bills and paid them in their entirety, including certain charges that were personal. He has repaid American Section \$28,380 for personal expenses charged to his credit card and paid for by American Section.

47. WJC's officers and employees travel extensively, and at times, flew first class and stayed in five-star hotels. In part as a result of Singer's use of a personal credit card to pay for such travel expenses, he accrued by the end of 2004, approximately 450,000 points attributable to such expenses on his American Express account, which could be converted into frequent flyer miles or other benefits.

48. During the 5 ½ year period from 1999 through mid-2004, Singer and Beker often obtained cash to disburse on overseas trips. There was no requirement that they account for the use of this cash, and they did not do so. In this period, Singer received \$671,600 in such disbursements. In the period 1999 to 2003, Beker received \$166,330 in such disbursements. The investigation uncovered no evidence that this cash was disbursed for purposes unrelated to the mission of the WJC. WJC was able to provide documentation substantiating Singer's use of \$121,000 of the \$161,600 in disbursements he received for such purposes in 2003 and 2004.³

WJC/American Section Fundraising

49. The OAG's review of the direct mail solicitations conducted by WJC's professional fundraiser revealed two types of deficiencies. First, the direct mail solicitations, which generated over half of the charitable contributions to WJC between 1999 and 2004, show

³ During the OAG's investigation, an allegation was made that Singer had an unrecorded discretionary account from which he could withdraw money. The investigation found no evidence of the existence of such an account.

that WJC, without registering with the Charities Bureau, was engaged in soliciting charitable donations in New York and elsewhere throughout the United States. Such solicitation in New York violated Article 7-A, § 172-d(2) of the Executive Law. In addition, insofar as WJC was a Swiss association, it could not receive contributions eligible for deduction under the Internal Revenue Code. However, the contributions obtained from such solicitations were deposited in the accounts of American Section, a 501(c)(3) organization, which is eligible to receive deductible contributions.

50. Second, certain of the direct mail solicitations to prospective and small donors often contained a pledge from Bronfman to match contributions of \$36 to \$25,000. In addition, specific campaigns, such as those to assist the Argentine Jewish community, or to repeat donors, sometimes contained such a pledge.

51. Although WJC's and American Section's fundraisers recorded the donations received in response to each fundraising campaign they launched, including any donations received in response to the campaigns in which there was a pledge to match, the reports that the professional fundraiser sent to WJC and American Section did not state the amount donors had contributed in response to solicitations that contained a pledge to match. Absent a contribution-by-contribution analysis, there is no basis to conclude that WJC, American Section or anyone else was harmed by this inadequate recordkeeping.

52. WJC established a new not-for-profit corporation to engage in fundraising beginning in early 2006. Until then, American Section assumed responsibility for fundraising under new procedures adopted in 2005 for solicitations that included pledges to match donations and requests for contributions for specific uses.

Loeb & Troper

53. Certain of American Section's failures were not solely its own. Loeb & Troper served as American Section's auditors and prepared American Section's annual Form 990 for filing with the OAG and the IRS. The Forms 990 for the years 2001 through 2003 were incomplete or inaccurate as follows: they omitted compensation that American Section paid to WJC leaders; they omitted fees that American Section paid to Curtis Hoxter for work as a consultant to WJC; and they omitted outstanding loans by American Section to Singer. Loeb & Troper also failed to raise relevant concerns about (a) the cash disbursements identified in paragraph 48 and (b) the payment of unreported taxable compensation identified in paragraphs 40 to 42, notwithstanding that pertinent information was made available to Loeb & Troper and is contained in its workpapers. Loeb & Troper also did not follow up with American Section's managers or board members on deficiencies in financial controls that they identified and raised in the management letters.

Remediation Undertaken by WJC and American Section

54. Since the fall of 2004, WJC and American Section have taken numerous measures to remedy the lack of governance oversight and fiscal deficiencies described above. In the area of governance, the Governing Board met twice in 2005 and considered political policy issues, governance changes, personnel assignments, and proposed amendments to WJC's 1976 constitution. In January 2005, the Plenary Assembly ratified the creation of the Steering Committee to oversee WJC's management, personnel, finances and budgets.

55. At that same time, the Plenary Assembly created a Budget and Finance Commission and an Audit Committee. Already active, the Budget and Finance Commission has reviewed the policies that are described below for personnel administration, travel,

disbursements, and compensation of employees and independent contractors, as well as a budget for WJC's global operations. On January 19, 2006, WJC's Steering Committee elected the Chairman of the Audit Committee.

56. Further, WJC has clearly defined the position of the Secretary General as WJC's chief executive officer with overall responsibility for overseeing WJC's mission and operations. In March 2005, WJC hired a Chief Financial Officer who reports to the Secretary General. Under the leadership of the Secretary General and the CFO, WJC has instituted new cash management policies and procedures, a computerized worldwide accounting system, reporting systems for WJC's worldwide operations and personnel and accounting policies. WJC has engaged new accountants to conduct audits for 2004, re-audit American Section's financial statements for the years 2001, 2002 and 2003, prepare amended Forms 990 for those years, and review the financial controls WJC has instituted.

57. Beginning in the fall of 2004 and continuing through the spring of 2005, WJC and American Section instituted policies to govern travel and expense reimbursement, including the *World Jewish Congress and World Jewish Congress American Section Inc. General Procedures for Long Distance Transportation Reimbursement*, dated November 1, 2004, as revised April 15, 2005; *General Procedures for Local Transportation Reimbursement*, dated November 1, 2004; and *World Jewish Congress Credit Cards Expense Reimbursement Procedures*, dated March 2, 2005. Under these procedures, WJC will only make cash advances under limited circumstances and all requests for reimbursement for authorized travel expenses must be accompanied by supporting documentation. WJC and American Section also adopted an employment manual, the *World Jewish Congress and World Jewish Congress American Section Inc. Personnel*

Policies and Procedures, which sets forth, among other things, WJC's and American Section's policies for accrual and payment of vacation time.

58. WJC had used American Section, a New York not-for-profit corporation, for purposes of financial and personnel administration. WJC has taken steps to separate its operations from those of American Section, with the creation of a new entity, World Jewish Congress LLC ("WJC LLC"), a Delaware limited liability company, to assume those duties. WJC is the sole member of WJC LLC. Since the beginning of January 2006, WJC LLC is the employer of WJC personnel, the leaseholder for WJC's headquarters in New York, and the administrator of WJC's assets in New York.

59. In April 2005, WJC formed a new corporation, Friends of the World Jewish Congress ("FO/WJC"), whose purpose is to conduct fundraising and make grants to WJC. By letter dated November 17, 2005, the Internal Revenue Service ("IRS") recognized FO/WJC as exempt from federal income tax under IRC § 501(c)(3). On or about December 5, 2005, FO/WJC changed its name to World Jewish Congress Foundation (referred to as "WJC Foundation"). The WJC Foundation has its own board, of which not more than 20% of the members may occupy a position with other WJC entities, and has total discretion over the disposition of its funds. The WJC Foundation will assume responsibility for fundraising and grant making in the spring of 2006. Until then, American Section will be responsible for fundraising and grant making, pursuant to procedures adopted in early 2005.

60. Under those procedures, fundraisers are required to provide to American Section monthly reports showing gross contributions generated by each fundraising campaign. Such reports must state the amount of (a) contributions that were made in connection with a solicitation where a matching contribution had been pledged by any entity or person, and (b)

contributions which were made in connection with a fundraising campaign where the funds were solicited for a specific purpose or account. American Section's accounting department undertook to maintain records of all contributions and to record separately contributions that are subject to any restrictions as to their use. American Section is also required under the procedures to notify each person or entity that has pledged to match contributions, as to the amount of contributions subject to the pledge.

61. WJC's solicitation materials and newspaper reports of its activities revealed that from time to time WJC engaged in lobbying with respect to legislative programs related to its mission. WJC is also a non-governmental organization member of the United Nations and conducts some lobbying in connection with issues before that body. In April 2005, WJC adopted procedures to monitor its lobbying activities, including monitoring the nature of any contacts with government officials. In addition, as part of its application for tax-exempt status, the WJC Foundation advised the IRS that it elected to operate under the provisions of IRC § 501(h), pertaining to expenditures by public charities to influence legislation. WJC Foundation has instituted procedures to monitor any grants to WJC that fund activity involving efforts to influence legislation, so as to remain below the permissible expenditure levels set in § 501(h).

62. Although active on public policy matters since the 1980s, American Section did not have a current membership roll or an operational board. By the end of 2005, it had completed the process of activating its membership, elected a board, drafted new by-laws, and addressed personnel and financial oversight matters. American Section hired a new Executive Director to serve as its chief executive officer.

63. American Section ended its practice of making *ex gratia* payments to retired employees. In lieu of the *ex gratia* payments, American Section decided to make a lump sum payment to each of the nine employees who were either retired or close to retirement, in an amount equal to actuarial value of the *ex gratia* payments. The cost of the lump sum payments was calculated to be nearly \$1.5 million. In April 2005, WJC's Steering Committee decided to use the \$1.5 million in "pension fund" monies at Bank Leumi to make the lump sum payments. In early 2006, American Section notified the retired employees of the termination of the *ex gratia* payments. Singer was not included in that arrangement and no determination of his pension has been made. Since January 2005, he has received compensation approved by the Budget and Finance Commission.

64. WJC and American Section have represented that since late 2004, Singer has been involved solely in activities relating to the fulfillment of WJC's mission. He has not had any responsibility for the financial management or oversight of WJC or American Section.

PROSPECTIVE RELIEF

WHEREAS, WJC and American Section are willing to enter into this Assurance without admitting or denying the Attorney General's Findings; and

WHEREAS, the OAG is willing to accept the terms of this Assurance, pursuant to Executive Law § 63(15), and to discontinue its investigation; and

WHEREAS, the OAG, WJC and American Section (the "Parties") each believe that the obligations imposed by this Assurance of Discontinuance are prudent and appropriate;

IT IS HEREBY UNDERSTOOD AND AGREED by and between the Parties that:

Governance and Fiscal Management

65. WJC and American Section shall continue to implement and administer policies and procedures for the proper administration of charitable assets to ensure the effectiveness and efficiency of their operations, the reliability of their financial reporting and their compliance with applicable laws. WJC has represented that WJC LLC will adopt and implement the policies and procedures adopted by WJC with respect to its financial administration, oversight and internal controls.

66. The Audit Committee shall assume responsibility for the selection and review of WJC's independent external auditors, review of WJC's annual financial statements and reports with its external auditors, review and evaluation of management letters received from external auditors and development of recommendations for addressing problems identified in management letters, ensuring that required governmental tax filings are completed in a timely and accurate manner, and review of WJC's internal controls.

67. WJC and American Section agree that any activities that Singer and Steinberg may undertake on behalf of WJC in the future shall be limited to activities promoting WJC's mission and shall have no connection to the financial oversight, management or supervision of fundraising activities of WJC, American Section or any entity affiliated with them.

68. American Section agrees not to make loans to any officers or directors. In addition, it agrees not to make loans to any employee, unless a procedure for the recording, making and repayment of such loans is contained in a written policy.

69. WJC represents that it has entered into an arrangement with Singer under which Singer will repay American Section \$132,000 within 90 days of the date of this assurance. WJC further represents that it has entered an agreement with Singer under which Singer will use, no

later than January 2011, at least 450,000 of the award points on his American Express account to obtain discounts for travel or pay for other items in furtherance of the mission of WJC and his participation in it.

70. WJC shall make efforts to obtain repayment from Steinberg and Beker with respect to the items identified in paragraph 42 hereof.

71. WJC and American Section will require all employees, consultants and any other individuals who are reimbursed by WJC or American Section for their travel and expenses in connection with work for WJC or American Section to comply with all applicable travel policies and procedures adopted by WJC and American Section.

72. WJC and American Section shall ensure that compensation is “reasonable” and “commensurate with services performed” as set forth in N-PCL § 202(a)(12) and otherwise complies with N-PCL § 715(f) and Section 4958 of the Internal Revenue Code and the regulations promulgated thereunder (“compensation practices”). WJC and American Section shall, as appropriate, consult with knowledgeable legal counsel or other consultants regarding their compensation practices.

73. If WJC or American Section determines to institute a pension program for its employees, each agrees to: (a) consult with knowledgeable legal counsel to ensure that the pension program complies with all applicable laws and regulations, including without limitation the Employee Retirement Income Security Act (ERISA), N-PCL § 202 (a)(12) and Section 4958 of the Internal Revenue Code and the regulations promulgated thereunder and (b) provide, no later than 45 days prior to its institution, a copy of the pension program to the OAG. In the event that WJC or American Section determines to provide Singer, in lieu of a pension, any payment,

including, but not limited to, a payment similar to that identified in paragraph 63 of this Assurance, it shall notify the OAG no later than 45 days prior to that payment.

74. In November 2004, WJC adopted procedures for making grants to its representative offices and Regional Branches outside the United States, as set forth in the *Provisions for Making Grants Outside the United States*, and agrees to comply with the procedures it has instituted. When the WJC Foundation engages in fundraising and begins making grants to WJC, WJC agrees to comply with the procedures established by WJC Foundation with respect to such grants, including procedures pertaining to lobbying activities and contacts with government officials. WJC agrees that WJC Foundation has discretion and control over the charitable funds that it raises.

75. Neither WJC nor American Section shall retain Mr. Zvi Barak to perform any services on its behalf until such time as he provides a full accounting and documentation of the \$1.2 million “pension fund” while it was in his custody, (i.e., between July 1, 2003 and August 10, 2004) and then only on written notice to the OAG, at least 30 days in advance of the inception date of Barak’s retention.

76. On or before October 30, 2006, American Section will provide training to its board on governance and management of New York not-for-profit corporations. This training shall be provided by an independent person or entity with experience in such training. Such training shall include a review of board responsibilities and obligations with respect to oversight of financial matters. The materials for such training shall be provided to the OAG no later than 15 days prior to the training.

77. American Section's board shall meet no fewer than four times a year. It shall elect a secretary who shall prepare minutes of each of its meetings; the minutes shall be presented at the subsequent meeting, and there shall be a vote to approve them.

78. American Section shall appoint members to an Audit Committee who shall be independent of its day-to-day management on or before June 30, 2006. The responsibilities of American Section's Audit Committee shall include selection and review of American Section's independent external auditors, review of its annual financial statements and reports with its external auditors, review and evaluation of the management letter received from the external auditors and development of recommendations for addressing any problems identified in the management letter, and ensuring that required federal and New York State tax filings are completed in a timely and accurate manner.

79. American Section shall file on or before June 1, 2006, amended Forms 990 for the years 2001, 2002 and 2003.

Reporting to the OAG

80. The Secretary General of the WJC shall meet with the OAG no later than October 30, 2006 to report on WJC's governance, financial oversight, compliance with the policies and procedures instituted since August 2004. Thereafter, WJC shall report to the OAG annually in writing with respect to its governance, financial management and internal controls, including, but not limited to, performance under paragraphs 69 and 70 of this Assurance. This report shall specifically include a certification of compliance with paragraph 67 hereof.

81. The Executive Director of the American Section shall meet with the OAG no later than October 30, 2006 to report on American Section's membership, mission, governance, financial oversight and compliance with the policies and procedures instituted since August

2004. Thereafter, American Section shall report to the OAG annually in writing with respect to its governance, financial management and internal controls.

82. WJC and American Section shall each provide the OAG, within 30 days of receipt, with a copy of the management letter provided by its outside auditors for the three fiscal years, beginning with the fiscal year ending December 31, 2005 through the fiscal year ending December 31, 2007; and if any management letter identifies any matters as material weaknesses or deficiencies, WJC and American Section shall provide the OAG, no later than seven months from the date of the management letter, any minutes, resolutions, or other documents sufficient to describe how WJC or American Section has addressed the matters raised in such management letters.

MISCELLANEOUS

83. The term of this Assurance shall be five years.

84. WJC and American Section represent that they have fully cooperated with the OAG with regard to this investigation. In particular, each represents that it has complied with all of the OAG's requests for information voluntarily in the absence of a subpoena, as fully and completely as it would have had a subpoena been served, that it has used its best efforts to ensure that all of its employees and officers have responded truthfully and completely to the OAG's inquiries and that it has encouraged third parties to cooperate fully with the OAG's investigation.

85. This Assurance is contingent on and relies on the truthfulness and accuracy of representations made by WJC and American Section herein and during this investigation.

86. Nothing contained here shall be construed as relieving WJC or American Section of the obligation to comply with all state and federal laws, regulations or rules, nor shall any of

the provisions of this Assurance be deemed permission to engage in any act or practice prohibited by such law, regulation or rule.

87. The acceptance of this Assurance by the OAG shall not be deemed approval by the OAG of any of WJC's or American Section's practices or procedures and WJC and American Section shall make no representations to the contrary.

88. This Assurance shall be binding upon and extend to WJC, American Section, their employees, officers, directors, and any other person or entity whose acts, practices or policies are controlled by WJC or American Section, including but not limited to WJC LLC.

89. All notices, reports, requests and other communications to any party pursuant to this Assurance shall be in writing and shall be deemed to have been duly given when delivered in person, by overnight courier, by certified mail return receipt requested or by facsimile to:

If to the World Jewish Congress, to:

Stephen E. Herbits
World Jewish Congress
501 Madison Avenue
New York, NY 10022
Tel.: (212) 755-5770
Fax: (212) 755-5883

If to the World Jewish Congress (American Section), Inc. to:

Shai Franklin
World Jewish Congress (American Section), Inc.
501 Madison Avenue
New York, NY 10022
Tel.: (212) 755-5770
Fax: (212) 755-5883

If to either the World Jewish Congress or to the World Jewish Congress (American Section), Inc.:

Robert Abrams, Esq.
Stroock & Stroock & Lavan LLP

180 Maiden Lane
New York, NY 10038-4982
Tel.: (212) 806-5400
Fax: (212) 806-6006

If to the OAG, to:

New York State Attorney General
Charities Bureau
Third Floor
120 Broadway
New York, NY 10271
Attn: Carolyn T. Ellis, Esq.
Tel.: (212) 416-8389
Fax.: (212) 416-8393

or such other address or facsimile number as such party may hereafter specify for the purpose by written notice to the other parties to this Assurance. Each such notice, request or other communication shall be effective (i) if delivered in person, when such delivery is made; (ii) if delivered by overnight courier, the next business day after such delivery is sent; (iii) if delivered by certified mail return receipt requested, as of the date noted as the date of delivery on the return receipt or (iv) if delivered by facsimile, when such facsimile is transmitted and the appropriate confirmation is received.

90. This Assurance may not be amended, except by an instrument in writing signed on behalf of all the parties to this Assurance.

91. This Assurance constitutes the entire agreement, and supersedes all prior Assurances, agreements and understandings, both written and oral, among the parties with respect to the subject matter of this Assurance. No representation, inducement, promise, understanding, condition or warranty not set forth in this Assurance has been made or relied upon by any party to this Assurance.

92. The use of titles in this Assurance is for purposes of clarity only.

93. In the event that any one or more of the provisions contained in this Assurance shall for any reason be held to be invalid, illegal or unenforceable in any respect, no party shall assert that such invalidity, illegality or unenforceability affects any other provision of this Assurance.

94. The OAG retains the right under Executive Law § 63(15) to compel compliance with this Assurance. Evidence of violation of the Assurance shall constitute *prima facie* proof of violation of the applicable law in any civil action or proceeding thereafter commenced by the OAG. Should it be determined that a breach or other violation of this Assurance has occurred, said breaching party shall pay to the OAG the cost, if any, of such determination and of enforcing this Assurance, including, without limitation, legal fees, expenses and court costs.

IN WITNESS WHEREOF, this Assurance is executed by the parties hereto as to the 31st of January, 2006.

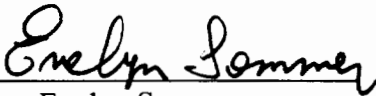
ELIOT SPITZER, ATTORNEY GENERAL OF THE
STATE OF NEW YORK

By: Carolyn T. Ellis
Carolyn T. Ellis
Assistant Attorney General
Charities Bureau


WORLD JEWISH CONGRESS

By: Stephen E. Herbits
Stephen E. Herbits
Secretary General

WORLD JEWISH CONGRESS
(AMERICAN SECTION), INC.

By: 
Evelyn Sommer
Chairperson of the Board

STROOCK & STROOCK & LAVAN LLP
Counsel for World Jewish Congress and
World Jewish Congress-American Section

By: 
Robert Abrams
Joel Cohen
James L. Bernard