

Houston Booster Group Hit Hard By Ponzi Scheme

By Danny Robbins

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A foundation that endows athletic scholarships at the University of Houston may have lost more than 40 percent of its listed assets because of investments in an alleged Ponzi scheme orchestrated by a financial adviser for college basketball coaches who committed suicide last summer.

The losses incurred by the Houston Athletics Foundation could have financial implications for the university, which has traditionally struggled to raise funds for its sports programs. The investments have also raised ethical issues for the group's board, many of whom had long-standing ties to the scheme's mastermind, David Salinas.

More than \$2.2 million of the nearly \$5.1 million in assets listed by the foundation in its most recent filing with the Internal Revenue Service were invested in bonds that the Securities and Exchange Commission claims never existed. The foundation's losses are among the most notable in a scheme that allegedly defrauded more than 100 investors of \$39 million, including millions of dollars from several high-profile college coaches.

... "There are all sorts of best practices that it seems to me were not followed in this case," said Aaron Dorfman, executive director of the National Committee for Responsive Philanthropy, a watchdog group for nonprofits based in Washington, D.C.

Dorfman said the circumstances surrounding the Salinas case are similar to what his organization saw in analyzing the nearly 150 foundations that invested with Bernard Madoff, whose \$65 billion Ponzi scheme is the largest financial fraud in U.S. history.

"Unfortunately, personal relationships often supplant good due diligence, and people just go along with a charismatic personality, which was certainly the case with Bernie Madoff," he said.

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