

A Letter to the Greater SAR Community

December 14, 2008 * Kislev 17, 5769

Dear SAR Community:

Undoubtedly, you have heard of the recent allegations of unprecedented financial fraud. While unfortunately our school is affected, the damage is limited to our Endowment Fund only. Hence, this will not change our ability to run the school, pay our bills, and meet our payroll and other day-to-day operations of the school.

The Endowment is invested with several investment managers. Years ago, it invested in Ascot, a manager which, unbeknownst to us, had substantially all of its assets invested with Madoff. Over time, that investment grew to \$1.3 million. We are obviously monitoring the situation and evaluating our alternatives; however, in light of the allegations, we are now valuing this investment at zero.

In SAR's operating and capital accounts, no money is or has ever been invested in Ascot, Madoff or any other investment manager. All of our tuition money, scholarship fund money, capital campaign money, grant money and any other funds raised for operations (running the school) or capital (construction and building improvements) are either used immediately for their stated purpose, or temporarily placed in highly liquid, bank or money market accounts.

The Endowment was started over 15 years ago, with about \$1 million donated by a small number of private donors, many of whose families were aware of its asset allocation. Despite the September–October turmoil in financial markets and before the Ascot writedown, the Endowment was recently valued at approximately \$3.7 million.

Each year, our Endowment generally converts up to 5% of its total assets to cash with the proceeds used to support some of our

unique programming. Thus, we expect that our potential Endowment capital loss can result in a reduction of approximately \$65,000 to this annual cash flow. Unquestionably, this is a setback, but it is also something we will recover from, and we continue looking ahead, together with you, to plan for our children's future.

Sincerely,

Jack C. Bendheim, President