September 17, 2021

CERTIFIED MAIL, RETURN RECIEPT REQUESTED

The Honorable Ken Paxton
Attorney General of the State of Texas
Charitable Trusts Division
P.O. Box 12548, Capitol Station
Austin, Texas 78711-2548

RE: The Hebrew Free Loan Association of Houston – OAG Investigation Requested

Dear Attorney General Paxton:

I. INTRODUCTION

Dolcefino Communications d/b/a Dolcefino Consulting is a Houston-based investigative media consulting firm. For the last eighteen months, Dolcefino Consulting has been investigating the financial operations of the Hebrew Free Loan Association of Houston (HFLA), a 501(c)(3) non-profit organization operating at 4131 S. Braeswood Blvd, Houston, TX 77025. Our investigation has uncovered troubling discrepancies in HFLA's publicly available financial information. One of the top executives of the HFLA has previously been cited by the Securities and Exchange Commission for fraudulent activities and reprimanded by the Texas State Board of Public Accountancy for violations involving integrity and objectivity. When a major donor to the HFLA raised questions about the $ 70,000 donation made in his mother's memory at an HFLA board meeting, he was assaulted after a vulgarity laden tirade – captured on an audio recording that we have enclosed for your review. Because of the unique structure of the HFLA, Dolcefino Consulting is requesting an Office of the Attorney General investigation into the HFLA's actions as detailed below.

II. NON-PROFIT STRUCTURE

The Hebrew Free Loan Association of Houston (HFLA) is a 501(c)(3) organization operating in Houston, Texas with the stated purpose of providing interest-free loans to Jewish residents of Houston, Texas (Exhibit A). According to the HFLA's attorney Marianne G. Robak, the HFLA is an unincorporated non-profit association governed by Chapter 252 of the Texas Business and Commerce Code, which only requires the HFLA to make their books and records available to members of the association or to the Office of the Attorney General (Exhibit B).

The HFLA is a respected charitable organization founded during the Great Depression with the mission of providing interest-free loans to those in need within the Houston Jewish community (Exhibit C). The HFLA depends exclusively on public charitable donations which it solicits for one of two stated purposes: 1) to provide funds that will be used to make loans, or 2) to provide for an endowment fund that will be accumulated and prudently invested until the fund reaches its goal of yielding sufficient income to meet operating expenses. Donors have every right to expect that the HFLA leadership will honor those stated purposes.

III. Investigation Summary

Dolcefino Consulting's investigation into the HFLA has uncovered a number of serious financial discrepancies and concerns. HFLA's endowment was established to create a fund that would be large enough to yield annual investment returns that would cover the cost of the organization's operating expenses. However, the investment returns for the endowment reported by HFLA on its Form 990 in recent years are wildly inconsistent with the investment returns reported by the fund that the endowment is invested in. The fund that the endowment is invested in is reporting returns of 200% (Exhibit D) to 800% (Exhibit E) higher than HFLA has listed on Form 990s in recent years (Exhibit A) (Exhibit F). HFLA's 2018 Form 990 also reports $20,000 in unexplained losses on investment (Exhibit G). When one of the largest donors to HFLA's endowment attended an HFLA board meeting in 2019 and began asking questions about where the endowment was invested, the donor was shouted down and sworn at by a current HFLA trustee – a reaction that was captured on audio recording and has been provided as an exhibit to this complaint (Exhibit H).

During the course of our investigation, Dolcefino Consulting discussed these Form 990s with Houston area Certified Public Accountant Patrick Durio and when asked about the discrepancies in the Form 990s, particularly with respect to the information related to the endowment, Durio stated, "That's one of those things that would make me question is there maybe some of their endowment invested somewhere else and maybe not 100% in this index fund because the numbers don't particularly jive" (Exhibit I).

Our concerns date back to the beginning of 2017 when David Loev first became HFLA president and continuing to the present time during which he has exerted leadership control over the organization. The investigation has been obstructed by the consistent refusal of HFLA leadership to provide requested financial information, leaving us and other public donors to resort to scant public information to understand how contributions are being used. None of that public information is more current than 2019, but even that limited information raises major red flags.

Our concerns are heightened by certain aspects of Mr. Loev's background, which we do not believe were disclosed to HFLA representatives or donors prior to the time that he became president in 2017 and which he sought to hide from donors during the recent HFLA election. Specifically, Mr. Loev was personally sued and subjected to penalties, fines and an enforcement order by the U.S. Securities and Exchange Commission for pump and dump stock fraud (Exhibit J). A more detailed account of Mr. Loev's association with companies and individuals engaged in pump and dump stock fraud is set out in a separate section below. Mr. Loev has also been reprimanded by the Texas State Board of Public Accountancy for violations involving integrity and objectivity (Exhibit K). The details of that reprimand are not publicly available. We note that during the entire term of his HFLA presidency from the beginning 2017 through the end of 2019, Mr. Loev had sole discretion over endowment investments and withdrawals.

a. *Serious Endowment Discrepancies*

The HFLA endowment was established to create a fund that would ultimately be of sufficient size to yield annual investment returns needed to meet the organization's operating expenses. Endowment donations are separately solicited by the HFLA and made by donors separately from general donations. During the endowment accumulation phase all funds are to be retained in the separate endowment account, prudently invested, and not otherwise used by HFLA. The endowment currently remains in the accumulation phase. The 2019 Form 990 states that all endowment funds are invested in the Houston Jewish Community Foundation Index Growth Fund (Exhibit A), and David Loev has stated that the endowment has consistently been invested in the HJCF Index Growth Fund during the time he was president from 2017-2019 (Exhibit H).

Our investigation has located HJCF Index Growth Fund annual reports for 2017 and 2019, but we have not been able to locate a similar report for 2018. Based on those available HJCF reports it is extremely concerning that the investment returns for the endowment reported by HFLA on its Form 990 for the years 2017 and 2019 are wildly inconsistent with the investment returns reported by HJCF for its Index Growth Fund for those same years. HJCF reported an investment return for 2017 of 14.21% (Exhibit E), more than 8 times higher than the 1.8% return indicated on the HFLA Form 990 (Exhibit F). For 2019, HJCF reported an investment return of 20.10% (Exhibit D), almost double the 10.1% return indicated on the HFLA Form 990 (Exhibit A).

At an April 9, 2019 HFLA board meeting, David Loev stated that during the entire time of his presidency starting in 2017, the endowment had always been continuously and entirely invested in the HCJF Index Growth Fund. When Adam Siegel, a former co-president of HFLA and major endowment donor, questioned this statement at the board meeting, he was sworn at and shouted down by current HFLA Vice President Jerry Tarnopol (Exhibit H). Adam Siegel simply asked if HFLA had initiated a change to their policy on how they invest their funds and instead of receiving a simple "yes" or "no" from any members of HFLA present at the meeting, Siegel was told by Tarnopol to "shut the f--- up."

How does HFLA leadership explain these serious discrepancies? Why not simply answer Adam Siegel's question about any changes to endowment policies? Were endowment funds invested somewhere else other than the HJCF Index Growth Fund contrary to Mr. Loev's representations? Were endowment funds withdrawn during the accumulation phase? To what extent are donors to the endowment fund being misled by HFLA leadership?

b. *Excessive build-up of idle cash*

HFLA's 2019 Form 990 indicates that the amount of $364,105 was being held as non-interest-bearing cash (Exhibit A) while the HFLA website indicates that the total amount of loans outstanding that year was only $224,205, representing less than 40% of the funds available to make loans (Exhibit L). This appears to represent a major failure of the organization's primary mission for which it solicits donor contributions and raises a number of disturbing questions. Why is so much cash being left idle? Is the cash actually being held in a non-interest-bearing account or invested for undisclosed purposes? Who has control over those cash funds? Most importantly, to what extent are donors being misled by HFLA leadership when such a large percentage of historical donations are sitting idle rather than being used for the purpose for which they were solicited?

c. Disproportionately high operating expenses

HFLA's 2019 Form 990 shows that the organization incurred operating expenses for that year in the amount of $55,233 (Exhibit A). Based on a review of that Form 990 it appears that, apart from restricted endowment contributions, the total amount of general donations received that year was only $25,390, less than half of the amount required to meet operating expenses. This again raises serious concerns about whether donors are being misled insofar as their donations intended to make loans to those in need are in fact being used primarily to defray HFLA operating expenses including undisclosed ultra vires indemnifications and reimbursement payments.

d. Other questions

The above concerns are addressed in greater detail below, and a number of other questions have been raised by our investigation which are also addressed separately below.

IV. PRE-INVESTIGATION ELECTION LITIGATION

Litigation commenced in 2019 by trustee Adam Siegel to resolve an impasse over election procedures (Exhibit M) was resolved by stipulated order (Exhibit N). The order did nothing to address the material financial problems we have identified, and the election only served to entrench David Loev and his close associates in control of HFLA leadership.

In what appears to have been a deceptive ploy, David Loev demanded that the following provision be included in the stipulated election order giving the impression that he would step down from HFLA leadership in exchange for prohibiting any discussion of his background during the election:

> "David Loev will not be on the ballot, or otherwise stand for election, and the parties shall not discuss or communicate his qualifications in connection with the Election or Election Process, including any publicity of any matters regarding David Loev and the SEC or any board of accountancy action."

While he used this ploy successfully to hide his questionable background by not being named on the original election ballot, Loev nonetheless aggressively campaigned for the incumbents and, in fact, never withdrew from active leadership involvement. Reference to the current HFLA website makes clear that he not only remains an HFLA officer to this day but that all of his closely allied officers also remain in place.

V. FINANCIAL DISCLOSURE CONCERNS AND DISCREPANCIES

On February 18, 2020, Wayne Dolcefino, President of Dolcefino Consulting, made a $25.00 donation to the Hebrew Free Loan Association with the understanding that his donation would grant him membership in the HFLA (Exhibit O). As a Houstonian of Jewish heritage, Wayne Dolcefino has a vested interest in seeing Houston-based Jewish community organizations like the HFLA succeed. HFLA thanked him for his donation via a form letter (Exhibit P), but never responded to his request for membership. As a donor to the organization, he sought to review HFLA's financial documents in an attempt to confirm that his money was well spent (Exhibit Q); his request for documents under Texas Business Code Chapter 22 was rejected by HFLA. HFLA informed him through attorney Marianne G. Robak that they were only required to make records available to members of the HFLA (Exhibit B). After Wayne Dolcefino's request, the HFLA raised the minimum donation amount (Exhibit R) and made membership applications "subject to Board of Trustee approval" (Exhibit S). Reference to the HFLA website (hfla.net) now makes clear that anyone seeking membership must complete a questionnaire and may be subject to a Board of Trustee interview before membership is approved. This stands in marked contrast to prior HFLA practice when any donor from the community was openly welcomed to become a member and reflects a disturbing conversion of HFLA into a form of private club where existing leadership acts as an exclusionary gatekeeper.

Since Dolcefino Consulting was unable to directly review the HFLA's records, and because numerous requests for interviews of current HFLA officers and directors were all refused, our investigation turned to the publicly available IRS Form 990s, the HFLA website and other public sources for more information. In that regard, Dolcefino Consulting reviewed investment reports published by the Houston Jewish Community Foundation (HJCF), a local organization which assists charities in managing and investing their funds.

We note at the outset a number of limitations in the available public information. First, the most recent HFLA financial information available through Form 990s and the organization's website is for the year 2019, and it is very concerning that we have been denied access to any financial information for the full year 2020 or year-to-date 2021 information. Further, the Form 990s that are available are rife with inconsistencies from year to year and lack the comprehensive level of detail that would be expected in annual financial statements and underlying ledger data. For example, the 2019 Form 990 (Exhibit A) shows drastic unexplained shifts from the beginning of year to end of year in assets categorized as "Cash-non-interest-bearing", "Notes and loans receivable, net", "Investments – other securities" and "Other assets". The Form 990 also fails to separately identify the segregated pool of Hurricane Harvey loans that were made with funds loaned to HFLA by a number of third-party organizations from the pool of loans made with HFLA donor funds.

The public financial information contained on the HFLA website is likewise limited, inaccurate and misleading. There, HFLA proclaims its "pride in being transparent" but a review of the website indicates it is limited to providing copies of Form 990s for the years 2017-2019, which the IRS mandates, and a few very limited charts, none of which are more recent than 2019 (Exhibit L). It is impossible to determine the veracity of the information contained on the website charts, but our investigation uncovered at least one gross and material error in the chart titled "Total Loans ($)". The chart is intended to show a substantial growth in total loans since 2014 by reflecting a total outstanding loan amount in the range of $40,000 for that year. In fact, our investigation found the HFLA Form 990 for the year 2014 which indicated the total amount of loans outstanding at the end of that year was $181,675 rather than $40,000 (Exhibit T). The chart on the HFLA website is not only grossly inaccurate, but extremely misleading in demonstrating the achievements of current leadership. Overall, HFLA's claims of financial transparency are illusory and appear to be nothing more than a form of gamesmanship. This is perhaps best illustrated by the inclusion of what it calls "2019 Audit Summary" on its website. In fact, the summary is nothing more than the accountant's one-page cover letter without including the financial statements themselves (Exhibit U). The fact that HFLA has obtained 2019 financial statements and refuses to make them public on its website is outrageous and serves only to heighten concerns about transparency, particularly in light of the statements contained in the accounting firm cover letter that "Management is responsible for the preparation and fair presentation of these financial statements" and that the accounting firm expresses no opinion "on the effectiveness of [HFLA management's] internal controls." The misleading illusion of independent financial oversight is further shown by listing Steve Finkelman as a "Federation Liaison" on the HFLA website. In fact, a direct inquiry made by Dolcefino Consulting to the chair of the Houston Jewish Federation found that that the Federation has not authorized any such HFLA liaison and that the Federation has no involvement whatsoever in reviewing or approving HFLA financial practices.

Finally, we note that we were only able to locate public annual reports for the HJCF Index Growth Fund for two of the relevant years covered by the HFLA Form 990s – 2107 and 2019, and our comparison of reported investment returns below is limited to those years.

Our review of available public information produced a number of very concerning discoveries which we summarize below.

a. *Serious Endowment Discrepancies*

On the HFLA website and on the 2019 Form 990, HFLA leadership represents that its goal is to raise an endowment fund of $1.2 million so that in the future the interest and dividends earned by the fund would be sufficient to pay for the annual operating expenses of the organization. The endowment currently remains in the accumulation phase well short of the $1.2 million goal, and donors are separately solicited to contribute to the endowment with the understanding that the endowment will be maintained in a separate fund and prudently invested until the goal is reached.

The HFLA 2019 Form 990 (Exhibit A) indicates that the entirety of the endowment is invested in the HJCF Index Growth Fund. Moreover, at an April 9, 2019 HFLA board meeting David Loev stated that during the entire term of his presidency beginning in 2017 the endowment had been continuously invested in the HJCF Index Growth Fund (Exhibit H). It is concerning that when Adam Siegel questioned that statement at the board meeting he was sworn at and shouted down, but even more concerning are the serious discrepancies regarding endowment investment returns disclosed in the HFLA Form 990s for the years 2017 and 2019 and the available reports from HJCF for those years. The concern over these discrepancies is heightened by the fact that David Loev had sole discretionary control over endowment investments and withdrawals during this time.

- HFLA's Form 990 for the year 2017 (Exhibit F) shows net investment earnings of $3,890 on a total endowment balance of $220,204 representing a 1.8% return on investments. However, the Houston Jewish Community Foundation's December 2017 Report (Exhibit E) shows a 14.21% yearly return for HJCF Index Growth Fund, which should have yielded net investment earnings of $31,291 – more than eight times higher than reported by HFLA on its form 990.
- HFLA's Form 990 for the year 2019 (Exhibit A) shows net investment earnings of $33,484 on a total endowment balance of $331,428 representing a 10.1% return on investments. However, the Houston Jewish Community Foundation's December 2019 Report (Exhibit D) shows a 20.10% yearly return for the HJCF Index Growth Fund, which should have yielded net investment earnings of $66,617 – almost double the amount reported by HFLA.

These severe discrepancies give rise to serious issues of donor misrepresentation and questions about how the endowment was actually invested that require further investigation.

b. *Disproportionately High Operating Expenses*

HFLA leadership solicits public donors by promising that their general donations will be used to make interest-free loans to those in need within the community. Actual results for 2019 as reflected on the HFLA Form 990 disclose that was not the case.

HFLA's Form 990 for the year 2019 (Exhibit A) shows $55,233 in total functional expenses and $120,390 in contributions, gifts, grants and other similar amounts. However, $95,000 of those contributions were earmarked by donors for the endowment fund which remains in the accumulation phase, leaving only $25,390 of general donations available to cover the $55,233 of expenses. Thus, HFLA expenses for that year absorbed all general donations without any of those donations being available for the lending purpose for which they were solicited.

The heavily disproportionate use of general donations for HFLA operating expenses also gives rise to issues of donor misrepresentation given the lack of clear disclosure by HFLA leadership that such a large portion of donated funds are being used for that purpose rather than to make loans to those in need.

c. *Excessive Build-up of Idle Cash*

According to the 2019 Form 990 (Exhibit A), HFLA leadership has accumulated the amount of $364,105 which it represents to be sitting idle in a non-interest-bearing cash account. All general donations are solicited by HFLA and intended by donors for the purpose of making loans to those in need. However, the HFLA website (Exhibit L) shows that as of the end of 2019 the total amount of HFLA loans outstanding was only $224,205 representing only 38% of the funds solicited from general donors, while 62% of those general donations sat idle.

This excessive cash build-up raises numerous concerns and red flags that require further investigation in addition to the obvious serious issue of donor misrepresentation. Does the use of such a small percentage of donated funds for their intended purpose represent a major failure of the organization's primary mission? Who has control over the use and withdrawal of so much idle cash? Why is so much idle donor cash being maintained in a non-interest-bearing account, where is the account maintained, and have any amounts been diverted for other investment purposes?

d. Unexplained Investment Loss

The 2018 HFLA Form 990 (Exhibit G) includes a line-item reporting "net unrealized losses on investments" of $20,126 for that year. That unexplained line item raises a red flag since the 2018 Form 990 indicates that all HFLA funds were being held in non-interest-bearing cash accounts other than what has been disclosed about the endowment. The 2018 Form 990 reports a net investment gain of $5,778 for the endowment that year so that was not the source of any 2018 investment loss. If all other funds were held in non-interest-bearing cash accounts, what is the possible source of a $20,126 investment loss unless HFLA idle cash was being invested elsewhere?

e. Failure to Monitor or Enforce Conflict-of-Interest Policies

In its 2019 Form 990 (Exhibit A), HFLA leadership responds "Yes" to the question: "Does the organization have a written conflict of interest policy?" but then, responds "No" to the question: "Did the organization regularly and consistently enforce compliance with the policy?"

The serious concerns raised by this response and the need for further investigation are disturbingly clear. The potential for conflicts of interest is extremely high in an organization where only a few individuals have control over large amounts of cash and where there is an important concern that loans be made without favoritism based on personal or business relationships. Our efforts to obtain information about specific conflicts have been blocked, however, the actions involving the purchase of State of Israel bonds described below in the discussion of Joe Blog raise significant conflict issues involving David Loev who has actively promoted the sale of such bonds as Co-chair of Israel Bonds New Leadership.

The serious questions described above clearly demonstrate the compelling public need for a thorough investigation of this charity under its current leadership. However, Dolcefino Consulting also conducted a review of the background of the individuals who have exercised leadership control over the HFLA since 2017, and the results of that review are enlightening.

VI. David Loev, Laurence Kam, and Joe Blog – A History

David Loev, former HFLA President and current Vice President and head of fund-raising has a concerning history of financial wrongdoing and impropriety that may illuminate the discussion about HFLA's current and concerning financial situation. In 2005, the Securities and Exchange Commission filed a complaint against Loev, alleging violations of Sections 5(a) and 5 (c) of the Securities Act for Loev's role in a pump-and-dump stock fraud scheme (Exhibit J). Twenty-four days later, on November 29, 2005, Loev consented to being permanently enjoined by the SEC from violating the securities registration provisions, issuing any legal opinions that the securities of any issuer are exempt from the securities registration provisions of the federal securities laws pursuant to Rule 504 of Regulation D, and accepting securities of any issuer whose securities are quoted on the Pink Sheets in consideration for legal or consulting services rendered. Loev also consented to disgorging over $25,000 in profits and paying a $25,000 civil penalty. In a subsequent 2008 press release involving another case of attorney involvement in pump and dump stock fraud (Exhibit V), the Director of the SEC Division of Enforcement commented about the serious nature of such cases as follows:

> The Commission has sought to combat fraud in the microcap realm by suing lawyers responsible for issuing opinion letters, which not only cause registration violations, but enable fraudsters to profit by dumping purportedly unrestricted shares into spam e-mail and blast fax-fueled artificial markets. See SEC v. Integrated Services Group Inc., James L. Rowton and David M. Loev, Civ. Action No. 4:05CV04071 (S.D. Tex., final judgment entered Nov. 29, 2005) (attorney Loev consented to entry of an order permanently enjoining him from violating the Securities Act's registration provisions and directing him to disgorge over $25,000 in profits and pay a $25,000 civil penalty)

Loev has been involved in a number of other financial schemes and deals that have resulted in SEC investigations including criminal charges or civil liability for securities fraud in multiple cases:

- In 2011, Loev was listed as legal counsel on a form S-1 document filed by Joymain International Development Group (Exhibit W). In 2015, Joymain's trading was temporarily suspended by the SEC because of unusual trading of the company's stock and the company's market capitalization growth in excess of $7 billion despite having virtually no business operations (Exhibit X).
- In 2014, the Securities and Exchange commission filed a complaint against Andrew Farmer for orchestrating a fraudulent "pump and dump" scheme to profit from the sales of the stock of Chimera Energy Corporation (Exhibit Y). Loev became involved in the litigation when the SEC requested an interview with Loev and/or the documents related to Chimera that were in Loev's possession to be

produced. Loev's law firm represented Chimera Energy Corp. from early September 2011 through mid-November 2012 and Loev's name is on Chimera's S-1 registration as counsel for Chimera (Exhibit Z).

- In 2010, Loev was listed on a Form 8-k filed by CLX Medical, Inc., as counsel for CLX (Exhibit AA) and Loev was listed on recipient copies of notices meant for CLX. CLX entered into a settlement agreement with the SEC after the SEC alleged that CLX issued senior securities without asset coverage, rights to purchase securities without expiration to non-security holders, issued prohibited non-voting stock, and failed to establish a majority of disinterested directors on its board and did not obtain a fidelity bond as required. The offer of settlement ordered that CLX cease and desist from committing or causing future violations and suspended CLX's Regulation E exemption (Exhibit JJ). CLX had its registration revoked in April 2012 due to failure to file periodic reports from June 30, 2008 through the date of revocation.
- Loev was listed as counsel for Jammin Java Corp. in the December 2016 quarterly report (Exhibit BB) and on a March 2016 securities purchase agreement. In 2015, the SEC filed a complaint against a number of high-ranking officials for Jammin Java. In 2017, a judgment was entered against Jammin Java owner Wayne Weaver for $26 million in disgorgement, $5 million in prejudgment interest, and $26 million in civil penalties (Exhibit CC).
- Loev has issued opinions and/or served as IPO counsel in some capacity for a number of companies who have taken their company public and stock prices have since plummeted resulting in the destruction of hundreds of millions of dollars. Some of those companies are:
    - Eco-Tek Group – Loev is listed on the S-1 form as IPO counsel in 2009 (Exhibit DD). Ultimately $180 million was destroyed when the stock dropped to $0.0003 per share (Exhibit EE).
    - Eventure Interactive Inc. – Loev is listed on the S-1 form as IPO counsel (Exhibit FF). Ultimately $65 million was destroyed when the stock dropped to $0.0001 per share (Exhibit GG).
    - Marathon Group Corporation – Loev served as attorney and significant shareholder of the company (Exhibit HH). In 2008, $5 million was destroyed when the stock slipped to $0.0001 per share (Exhibit II). Marathon ultimately entered into a convertible promissory note with David Loev.
    - PPJ Healthcare Enterprises – Loev is listed on the S-8 filing in 2005 as counsel that has given his opinion and consent regarding the legality of shares registered. $6 million was destroyed when the stock dropped to $0.0001 per share.
    - Toner-One World Holdings, Inc. – Loev is listed as Toner's IPO counsel in their S-1 amendment in 2013 (Exhibit KK). Ultimately $2 million was destroyed when company stock slipped to $0.0001 per share.
    - United American Petroleum – Loev is listed as corporation counsel in the 2013 promissory note filed with the SEC (Exhibit LL). Ultimately $6 million was destroyed when the company stock price collapsed to $0.0006 per share.

It is worth noting that Loev is not the only trustee or official from HFLA that Dolcefino Consulting became concerned with during our investigation.

In addition to Loev, we briefly reviewed the backgrounds of the two treasurers who have served HFLA under the leadership of Loev. The current treasurer of the HFLA, Laurence Kam – a retired physician, lacks any demonstrated financial or accounting experience and has been directly implicated in the financial issues referenced in this complaint (Exhibit M). Specifically, Kam reacted acrimoniously to the discovery that donations earmarked for Hurricane Harvey relief were inappropriately commingled in violation of their grant terms. When Adam Siegel further questioned him on the status of the loan portfolio Kam cited as an improbably low default rate and demonstrated a lack of financial literacy so egregious as to fail to distinguish the organization's balance sheet from its income statement. This gross incompetence highlights a clear and material weakness in HFLA internal controls of particular concern given Loev's notorious background of financial fraud. As signatory of the Form 990s in question Kam bears direct responsibility for the contents and misleading information contained therein. His capacity to be misled into defalcation of HFLA assets by Loev is no better demonstrated than his blind approval of an ultra vires use of donor funds requested by Loev to provide indemnity of Jerry Tarnopol for a personal lawsuit filed against him for assault committed at the April 9, 2019 HFLA board meeting. Tarnopol was neither an officer nor trustee of HFLA at the time despite the falsified 2019 Form 990 signed by Kam reporting Tarnopol as a trustee.

Current HFLA vice president and former treasurer Joe Blog served as Treasurer during the initial portion of David Loev's term as HFLA President. At the time, Adam Siegel was a member of the loan committee for HFLA. Commensurate with the start of Loev and Blog's term HFLA began receiving loan requests pledging unconventional and inappropriate collateral such as unregistered penny stock certificates. Additionally, proposals for HFLA to purchase State of Israel bonds from third parties were presented. Upon discovering the bizarre collateral being presented for loans and the attempts at bond factoring, Siegel notified Blog and Loev that HFLA could not accept that kind of property as collateral for loans nor could it embark on a bond buying program because the organization would run out of cash available to make conventional need-based loans. Blog reacted with hostility and in response stated that he would simply liquidate the endowment to fund the third-party bond buying program he and Loev sought. Siegel notified Blog and Loev that he would resist any illegal act to liquidate the endowment and Blog tendered his resignation. This again appears to be a conflict of interest violation given Loev's outside interest described above of promoting the sale of State of Israel bonds (Exhibit MM), a breakdown of fiduciary duty and lack of internal controls in the presence of a known bad actor.

VII. CONCLUSION

For the last eighteen months, Dolcefino Consulting has been investigating the operations of the Hebrew Free Loan Association of Houston (HFLA), a 501(c)(3) non-profit organization and our investigation has uncovered some concerning information regarding the operation of the non-profit under its recent leadership and some troubling discrepancies and inconsistencies in HFLA's publicly available financial documents. Considered as a whole, the disparities in the reported investment returns, the fact that HFLA is operating at a loss based on contributions and expenses, the excessive amount of cash idly sitting in their accounts, unexplained investment losses, the failure to monitor and enforce any conflict of interest policy, the behavior at an HFLA board meeting giving rise to a lawsuit for assault against a major donor who raised questions about the endowment, and the backgrounds of certain individuals having control over donor funds paints an alarming picture for charitable donors. Dolcefino Consulting is requesting an Office of the Attorney General investigation into the events that have occurred and are ongoing at HFLA and into the true status of HFLA's finances.

Respectfully,

Wayne Dolcefino

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Dolcefino Consulting

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