

The Atlantic Philanthropies Right —and Wrong— Ways to Give Away Money

By Martin Morse Wooster

Summary: The Atlantic Philanthropies is a picture-perfect example of a foundation that honors the “donor intent” of its creator. It adheres closely to the mission envisioned by founder Chuck Feeney. On the other hand, it funds left-wing causes and is run by a George Soros protégé.

One of the major problems bedeviling the philanthropic world continues to be that of “donor intent,” or what happens when a donor dies and his foundation is taken over by people who are fundamentally opposed to the ideas of the donor. As I showed in *The Great Philanthropists and the Problem of ‘Donor Intent,’* the problems caused by successors’ indifference to donor intent are of continuing concern in the Ford, Rockefeller, and MacArthur Foundations, the Pew Charitable Trusts, and the Carnegie Corporation of New York, to name a few. [*The Great Philanthropists*, 3rd edition, was published by Capital Research Center in 2007. —Editor]

The methods for ensuring that a donor’s intent is respected are also pretty well known. In order to preserve donor intent, foundations should have donors who are strongly involved. Donors should have a clear idea of what they want to do with the wealth they have created. And rather than a perpetual foundation conserving its wealth to meet the 5 percent distribution requirement, a foundation that respects donor intent should have a term limit of no longer than 20 years after the death of the founder.

In short you’d want a foundation like the Atlantic Philanthropies.

In terms of philanthropic practice, the Atlantic Philanthropies does everything right. Its creator, Chuck Feeney, is best known for



Leftist Gara LaMarche heads the Atlantic Philanthropies.

giving away over \$500 million anonymously. Feeney, a dual citizen of Ireland and the U.S., is a hands-on donor who has become not only Ireland’s greatest philanthropist, but, almost as an afterthought, the greatest donor in Australian history. The Atlantic Philanthropies is term-limited, with a goal of completing major grantmaking by 2016 and then closing up shop before 2020. Because of this term limit, this foundation is spending far more than its mandatory 5 percent minimum, ensuring that its grants have a far greater impact than it would have if it was a more cautious perpetual foundation whose primary interest is in capital preservation. (For a look at a conservative foundation that honors donor intent, see “Safeguarding a Conservative Donor’s Intent: The Roe Foundation at 39,” by John J. Miller, *Foundation Watch*, May 2007.)

Feeney’s attitude on perpetuity is what he calls “giving while living.” While he has

signed the “Giving Pledge” created by Warren Buffett and Bill Gates urging billionaires to spend half their fortunes on charity, he told globalpost.com that the pledge “doesn’t go far enough” since those who sign it still get to keep half their wealth.

Feeney also has many admirable qualities. Like John D. MacArthur and H.L. Hunt, Feeney is a rich man who prides himself on his thrift. He doesn’t own a house, living in apartments rented for him by Atlantic Philanthropies. He prides himself on wear-

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CONTENTS

The Atlantic Philanthropies
Page 1

Philanthropy Notes
Page 6

FoundationWatch

ing second-hand clothes and cheap watches. Last June, at a banquet Cornell held in his honor, Feeney was presented with a \$13 Casio watch. Feeney quipped that was a worthy gift, because the watch was still in its original box and he could resell it.

The paradox of Chuck Feeney is that however worthy his personal habits and giving philosophy are, he is a man of the left, and the Atlantic Philanthropies is a hard-line leftist foundation. We can all learn from Chuck Feeney's example—and deplore how the Atlantic Philanthropies chooses to spend down the \$2 billion it must dispose of by its termination date.

Chuck Feeney Acquires His Fortune

Chuck Feeney was born in Bayonne, New Jersey in 1931. He's always been an American citizen, but because his grandmother emigrated from Ireland, Feeney has become a dual citizen of Ireland and America.

During the Korean War, Feeney was a radar operator in Japan. After he left the military, Feeney used the G.I. Bill to go to Cornell, where he graduated in 1956 with a degree in hotel management. Feeney then went to Europe, where he found there was plenty of opportunities for entrepreneurs interested in the import-export business.

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When Feeney started his career, he discovered that U.S. law at the time allowed any American to bring back five gallons of liquor duty free. Back then tourists didn't actually have to lug the booze through customs; they could simply declare it and have a third party ship the spirits to a customer's home.

Feeney also discovered that U.S. servicemen stationed overseas could ship cars into the U.S. without paying any tariffs, allowing GI's to purchase Renaults and BMWs for less than they would pay stateside.

For over a decade, Feeney and his business partners vigorously used these loopholes to make money selling foreign cars and duty-free liquor to thrifty Americans. But in the mid-1960s President Lyndon Johnson, trying to raise money to pay for the Vietnam War, cut the liquor exemption from five gallons to one, and the Navy decided to sell sailors cars themselves rather than letting third parties get the profits.

Feeney and his partners had to find another line of work. They found it in the duty-free store business, which was just getting off the ground in the early 1960s. In 1962 Feeney and his associates, in return for \$78,000, acquired a five-year concession at the Honolulu airport. They made some money as airlines converted cramped DC-8s to roomier 707s.

But Feeney's wealth was made in Japan. The Japanese decided, as part of their effort to promote the 1964 Tokyo Olympics, to relax draconian travel restrictions and allow many Japanese to travel abroad for the first time. Japan has a long tradition of elaborate gift giving, and the Honolulu gift shop had the goods Japanese consumers wanted at low prices.

As Japanese tourists got wealthier, Feeney's partnership, at first called Duty Free Shoppers and later DFS, thrived. Because top-tier producers of luxury goods at that time refused to deal with DFS, the company made lucrative distribution deals with Carus cognacs and Nina Ricci perfume that provided DFS with a second income stream.

By the mid-1970s, Feeney's fortune had reached \$250 million and he pondered what to do with his money. He turned to Harvey

Dale, a New York University law professor who had met Feeney through Cornell connections.

Dale gave Feeney a thick file of significant articles about philanthropy. Both Feeney and Dale have said that two passages were especially significant. One was Frederick T. Gates's warning to John D. Rockefeller in 1896 that "Your fortune is rolling up, rolling up like an avalanche! You must distribute it faster than it grows! If you do not it will crush you and your children and your children's children!"

The second was Andrew Carnegie's timeless advice in his 1889 essay "The Gospel of Wealth" that "the duty of the man of wealth" was "to set an example of modest, unostentatious living, shunning display or extravagance; to provide moderately for the legitimate wants of those dependent upon him, and, after doing so, to consider all surplus revenues which come to him simply as trust funds, which he is called upon to administer ... The man who dies rich, dies disgraced."

Dale also provided evidence that all the world's great religions taught that anonymous giving was the best way to give. As Matthew tells us, in the Sermon on the Mount, Jesus taught, "When you give to the needy, do not let your left hand know what the right one is doing, so that your giving may be in secret. Then your Father, who sees what may be in secret, may reward you." The great medieval rabbi Maimonides taught that there were 12 levels of *tzedakah* (giving) and that while the highest level was teaching Jews to become self-reliant, the second highest was anonymous charity.

Feeney liked the idea of anonymity not just for moral reasons, but because he was a very secretive entrepreneur. DFS was a privately held partnership that partially owed its success to the fact that its rivals had no idea what its resources were and therefore couldn't guess how much the company could bid for airport concessions.

In 1981 Feeney decided to start his foundation. In order to maintain secrecy, he decided to establish the Atlantic Foundation in Bermuda. The Atlantic Foundation merged with another charity Feeney created to form

the Atlantic Philanthropies. Another reason for establishing a foundation outside the U.S. was that Feeney owned 38.7 percent of DFS, which he transferred to the foundation. He would not be able to do this under U.S. law, which prohibits a foundation from owning more than 20 percent of the stock of a company.

To comply with Bermuda law, he moved his family to the British colony for a year. (His children, cut off from their friends, referred to the island as “Boremuda.”) In addition, he convinced the Bermuda legislature to pass a special law allowing him to establish his foundation there. The Atlantic Foundation began operations in 1982.

At first, the foundation’s chief goal was to give money to universities. It gave generously to Cornell, Feeney’s alma mater. Feeney also gave substantial amounts to Irish universities, and was primarily responsible for establishing a university in Limerick. A 2009 documentary by Irish state broadcaster RTE said that Feeney’s goal was to make sure that Irish students were successfully able to compete in the global marketplace.

Feeney also tried to play a role in Irish politics. In January 1993, he joined a team of Irish Americans, led by *Irish America* publisher Niall O’Dowd, Mutual of America president Bill Flynn, and former Connecticut congressman Bruce Morrison, to try to achieve peace in Northern Ireland. The three met several times with Gerry Adams, the head of Sinn Fein, a political party closely tied to the IRA.

Conor O’Clery, Feeney’s authorized biographer, writes that these negotiations with Adams were bitterly opposed by Atlantic Foundation president John Healy, who thought there “were serious implications for the founder of a major philanthropic foundation having dealings with the head of an organization regarded as the mouthpiece of a terrorist group by the U.S., British, and Irish governments.” Feeney and his associates continued to meet with Adams. These back channel negotiations, in O’Clery’s view, ultimately led to the IRA announcement of a ceasefire in August 1994 and President Clinton’s visit to Northern Ireland the following year.

Part of the reason why the IRA was eager to lay down its arms was that Feeney personally offered to finance a political alternative to terrorism by giving the U.S.-based Friends of Sinn Fein \$20,000 a month for 36 months so that Sinn Fein could establish a Washington office. He also gave \$250,000 to the Ulster Defence Association, a Protestant paramilitary group in Northern Ireland that had killed many Catholics.

Feeney’s gifts to Sinn Fein were personal ones, and not given through his foundation. They nonetheless remain troubling, particularly since, in February 1996, in the middle of Feeney’s donation period, the IRA exploded a bomb in London’s Canary Wharf that killed two people, injured 38, and caused over \$150 million in damage. Can Feeney say with confidence that none of his grant money was used to commit this act of terror?

Getting Established

In the mid-1990s, Feeney and one partner entered into negotiations with the French luxury-goods conglomerate LVMH to sell it a controlling interest in DFS for \$2.8 billion. The deal was complete in November 1996. The checks LVMH issued to Feeney and his partner were so large that a New Jersey bank was kept open overnight to clear the nine and ten-figure checks. They were so large that tens of thousands of dollars would be lost if they weren’t cleared quickly.

In the negotiations, many parties learned that Feeney no longer owned his share of the company, but had transferred it to the Atlantic Foundation. The anonymity of the foundation was no longer possible. So the Atlantic Foundation hired publicists to arrange for the *New York Times* to break the story, which Judith Miller did in January 1997. Miller revealed that the \$1.7 billion Feeney received for the sale of his DFS stake boosted the Atlantic endowment to \$3.5 billion. This would have made Atlantic the fifth-largest U.S. charity had it been headquartered in the U.S.

In *Winding Down the Atlantic Philanthropies*, published by the foundation in 2009, foundation consultant Tony Proscio reports that the decision to spend down the Atlantic endowment took place at a board meeting at the Cornell Club in New York City in 1999.

At the time Atlantic was giving grants at a rate of \$400 million a year, and Feeney proposed increasing the outlay to \$450 million in order to spend down the foundation within 20 to 30 years. No one objected. One Atlantic trustee at the meeting told Proscio “we really didn’t see any need for a formal decision (to spend down). We knew what Chuck wanted to do, and there was such reverence for him around that there was no way anyone was going to oppose it.”

In 2005 the spend-down plan was formalized, with the foundation committed to spending \$350 million a year until major grants were completed in 2016. This spend-down plan means that the Atlantic Philanthropies is the third-most generous foundation active in the U.S. Only the Ford and Gates foundations give away more money.

The Atlantic Philanthropies in Ireland

When looking at the Atlantic Philanthropies, one must separate the foundation’s programs in Ireland, Australia, and Vietnam from Atlantic’s domestic programs. The evidence suggests that Chuck Feeney plays a hands-on role in Atlantic’s overseas programs while giving program officers overseeing domestic programs a freer hand.

Feeney remains very active in Atlantic’s Irish programs—so active that he was responsible for a major philanthropic mistake. In 2004, Feeney decided that Ireland needed a counterpart to a U.S. group, the Center for Public Integrity. He asked investigative journalist Frank Connolly to come up with a proposal, and Connolly successfully persuaded Feeney to give €4 million to set up the Centre for Public Inquiry.

Feeney failed to perform due diligence on Connolly. His brother, Niall, was a member of “the Colombia Three,” three IRA members arrested in Bogota, Colombia in 2001 and subsequently charged with training terrorists associated with the terror group FARC. In 2002 the *Irish Independent* charged that Frank Connolly was being investigated by the Irish national police for traveling to Colombia on a phony passport. Irish justice minister Michael McDowell repeated these claims in the Irish parliament, presenting it with what he said was a copy of the fake passport Connolly used and closed-circuit television footage of Connolly boarding his flight. In

the British House of Lords, Lord Laird of Artigarvin accused Connolly of traveling to Colombia to collect \$3 million “as part payment to the IRA by FARC members for providing expertise and training in bomb making.”

Connolly denied all these charges, but has said he will address the allegations only if Ireland charges him with a crime. Feeney met with McDowell and Irish Prime Minister Bertie Ahern and in December 2005 closed down the Centre for Public Inquiry. He told his biographer, “We certainly won’t venture into that area again.”

Atlantic Philanthropies continues to fund Irish projects, including an effort to create an Irish version of the Huffington Post news website and a program to train members of the Northern Ireland legislative assembly. In April, the Atlantic Philanthropies announced a €30,000 grant to create a national citizens’ assembly in Ireland, which would conduct polls and regularly hold town meetings on important Irish issues.

In the past six years, Feeney has also increased his giving in Australia, giving that nation over \$A500 million, mostly for medical research in Queensland. Feeney, a close friend of former Australian tennis champion Ken Fletcher, spends two months in Australia each year. Feeney routinely appears on Australian television shows, both to promote his own ventures and to urge other donors to give more.

The Atlantic Philanthropies in America

The extent of Feeney’s involvement in the Atlantic Philanthropies’s American operations is unclear, and little is known about Feeney’s political opinions. It’s known that he thinks of himself as a liberal and that he protested against the Iraq War. But while Feeney freely talks about his business career, he says little or nothing about his own political views. For example, in the 2009 Irish television documentary about his life and work Feeney talked extensively about his business career. But when asked about why he became a philanthropist, his only response was to say, “I wanted to help the poor.”

Indiana University philanthropy professor Leslie Lenkowsky notes that Feeney is “a self-proclaimed liberal, yet he has a libertarian’s aversion to taxes.”

In the past decade, the Atlantic Philanthropies has largely stopped funding higher education and with the selection of a new president it has begun to shift its giving to leftist political activism. Between 1998 and 2000, for example, Atlantic spent \$832 million on higher education grants. But in 2002 the foundation announced that it would slash higher education funding. Atlantic president Healy told grantees that the foundation would be “active in fewer fields but in greater depth” than in the past.

The shift towards political activism came in 2006 with the appointment of Gara LaMarche as Atlantic president. LaMarche formerly ran the U.S. operations of George Soros’s Open Society Institute, and before that had climbed the ladder at the ACLU.

LaMarche is also something of a throwback to an earlier era. He is the first head of a major liberal foundation in at least a generation to present himself as a public intellectual. He regularly writes for *The Nation*, has his own blog and is eager to give interviews and make speeches. His message is the same in whatever venue he chooses to appear: Expanding government is heroic, and Republicans and conservatives are at best stupid and at worst evil.

In a 2009 *American Prospect* article on the prospects for philanthropy in the Obama era, LaMarche happily noted that the new president had once headed a small foundation, that Obama’s mother, Ann Dunham, had gotten Ford Foundation grants, and his adviser Valerie Jarrett used to head the Joyce Foundation. LaMarche noted that along with California Endowment president Robert Ross, Annie E. Casey Foundation executive vice-president Ralph Smith, and other top foundation executives, he had been given an extensive briefing by members of the Obama transition team. “I felt the meeting showed that philanthropy had to raise its game, that we had to be more prepared to operate in real time with real opportunities ... A challenge of the moment is how philanthropy relates to a more activist government.”

Two years later, with the conservative resurgence, LaMarche’s attitude has grown considerably more sour. Commenting this February on Wisconsin Gov. Scott Walker’s battle over collective bargaining with public employee unions, LaMarche wrote in his blog

that Walker’s fight was part of a decades-long conservative effort to defund the left. “The Wisconsin battle is just an important front in a war that has been raging for at least thirty years, in which the established Right is going right for the jugular of the most independent voices.” He added that the battles over government funding of NPR, ACORN, and Planned Parenthood showed that “following a modest but significant period of reform, the empire has struck back with a vengeance.” LaMarche offered no reasons why taxpayers should be forced to fund NPR, ACORN or Planned Parenthood.

This April, LaMarche played the part of the “prosecutor” in a debate held during the Council on Foundations annual meeting over whether foundations were “guilty” of failing to do their jobs and should therefore lose their tax exemption. LaMarche argued that foundations were guilty of failing to give enough money to leftist political activists.

“Global warming threatens the planet, and pseudo-scientific denialism of it threatens democracy,” LaMarche said, “yet the handful of foundations engaged in climate change are vastly outgunned, and even they hoard their foundation assets as if there were no tomorrow—which in fact, there won’t be, before long, if we fail to reverse the warming of the planet.” He added that foundations shunned controversy, focusing on “safer things that do little to affect the titanic issues of inequality, poverty, human rights, and environmental degradation.”

The Atlantic Philanthropies does not fund unsolicited grants. Here are three groups it has chosen to fund in its effort to “partner” with the Obama administration.

Health Care for America Now

In 2008 Atlantic Philanthropies decided to give \$25 million to Health Care for America Now (HCAN), a coalition of nonprofits and unions dedicated to expanding the federal government’s role in health care. HCAN’s most significant members include the Service Employees International Union (SEIU), the American Federation of State, County, and Municipal Employees (AFSCME), MoveOn.org, and (until its recent bankruptcy) ACORN. Of this amount \$10 million went for a media campaign—before the 2008 elections. “In 1993 and ’94, the forces

that opposed health-care reform had many more resources than those who supported it,” Atlantic Philanthropies communication director Stuart Schear told the *Chronicle of Philanthropy* in 2009. “We wanted to make sure the progressive end of this discussion held up.”

HCAN used its grants from Atlantic and other large foundations (particularly the California Endowment) for social media campaigns promoting government healthcare programs. At least \$11 million was spent on television ads. The coalition specialized in staging protests as media events in front of large insurers such as Cigna and at the annual convention of America’s Health Insurance Plans, the health insurance trade association. Leftist academic Peter Dreier, writing in the *American Prospect* in 2010, said that HCAN “played a very important role in rallying the base, smoking out the destructive role of the industry, and making it difficult politically for the administration to indulge its fantasies of a bipartisan deal.”

With the passage of the health care law in 2010 and the Republican takeover of the House, HCAN’s role has shifted from offense to defense. Its members now attend cheerleading rallies for the healthcare law, work to prevent more states from joining the lawsuits challenging its constitutionality, and attack Rep. Paul Ryan’s efforts to reform Medicare and Medicaid. An April blog post by HCAN executive director Ethan Rome stated that Rep. Ryan’s proposals would give “massive tax cuts to corporations and the super-rich by saddling seniors and middle-class families with thousands of dollars in new out-of-pocket costs.” (HCAN’s efforts were profiled by Philip Klein in “How Liberal Activists Passed Obamacare,” *Foundation Watch*, August 2010.)

Main Street Alliance

Like HCAN, the Main Street Alliance received start-up funds from the Atlantic Philanthropies. Growing out of efforts by community organizing groups to promote at the state and local levels health care for the uninsured, the Main Street Alliance is designed to be a trade association for small businesses that love big government. With branches in 14 states, it wants to be the left-wing counterpart to the far larger (and far

more free-market) National Federation of Independent Business.

A 2010 article by Bara Vaida in *National Journal* notes that HCAN and the Main Street Alliance “are working so closely together that they essentially share a lobbyist, Dave Mason.”

Like HCAN, the Main Street Alliance encourages its members to attend pro-Obama administration rallies. The Alliance mobilizes its membership whenever the administration needs support for its policy agenda from “small business owners”—no matter whether the issue is health care or increased spending on the Clean Air Act. Last October Alliance chapters in at least five states issued reports claiming that small businesses would get thousands of jobs if government increased funding to fight climate change. The Oregon Main Street Alliance demanded that the state of Oregon create a government bank to issue credit to small businesses.

The Huffington Post Investigative Fund

The Atlantic Philanthropies, in collaboration with the Markle and Knight foundations, the Huffington Post, and the Schumann Center for Media and Democracy (controlled by PBS’s Bill Moyers) created this investigative journalism outlet in 2009 with a \$2 million budget. The fund has spent the last year producing stories about corporate malfeasance.

A typical example of a Fund-supported investigation is a story showing how “those who hate handouts benefit from them.” The report asserts that companies owned by a West Virginia Republican Senate candidate and four Republican candidates for the House benefited from government spending they claimed to oppose. West Virginia’s John Raese ran a company that got stimulus funds and the four House candidates owned car dealerships that benefited from the “cash-for clunkers” program. The story’s writers could find only two Democrats—Rep. Ben Chandler (D-Kentucky) and Missouri Democratic Senate candidate Robin Carnahan—who got stimulus money. Perhaps they weren’t looking hard enough.

In October 2010, the Huffington Post Inves-

tigative Fund was taken over by the Center for Public Integrity, which announced that its mission would be “to produce significant investigative journalism about public issues.” The center launched an “iWatch” investigative journalism website that began operations on May 4.

Conclusion

Unlike other liberal foundations, the problems with the Atlantic Philanthropies do not involve donor intent. We may never know the precise content of Chuck Feeney’s political opinions, but he appears fully in control of the foundation he created and one must assume that it fulfills his wishes.

All donors can learn something commendable from Chuck Feeney’s example: Give to causes you care about while you are alive.

But Feeney has created in the Atlantic Philanthropies yet another bastion of leftists who are reflexively committed to expanding the size and power of government. The moral of the story is a paradoxical one: The donor gets both high grades—for how he gives away his own money—and low grades—for what he spends his money on.

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Many thanks.

Terrence Scanlon
President

PhilanthropyNotes

Why isn't the mainstream media bothering to report that **George Soros** has strong ties –financial and otherwise — to more than 30 major news organizations including the *New York Times*, *Washington Post*, the Associated Press, ABC, and NBC. That's what **Dan Gainor** of the **Media Research Center's Business & Media Institute** is wondering. Notable journalists such as ABC's **Christiane Amanpour**, who was an in-your-face critic of President **George W. Bush**, and former *Washington Post* editor and now Vice President **Len Downie** are members of boards that accept Soros's money. They serve on those boards despite the **Society of Professional Journalists'** ethical code which declares that journalists should "avoid all conflicts real or perceived." Soros also gave \$1 million to **Media Matters for America**, a well-funded slander shop that roots out "conservative misinformation." Soros's efforts to take over the media were examined in the January 2011 edition of *Organization Trends*.

For his support of education reform Florida Gov. **Jeb Bush** received a Bradley Prize for 2011 from the Milwaukee-based **Lynde and Harry Bradley Foundation** last month. The three other prize winners are Harvard Government professor **Harvey Mansfield**, New York University Law professor **Richard Epstein** and economist **Allan Meltzer**. Each award comes with a stipend of \$250,000.

Aryeh Neier, who has led Soros's network of philanthropies for 18 years, said he will retire as president of the **Open Society Foundations** in April next year when he turns 75. Neier was instrumental in turning Soros's charitable organizations into formidable instruments for anti-Americanism and nihilistic destruction worldwide. "It will undoubtedly be a new era," the *Chronicle* quotes Soros saying. "We have had a very productive relationship: two different characters, two different types of people, each respecting the other and having a creative tension between us. This will be disrupted by his departure." A successor has not yet been anointed.

Goldman Sachs WATCH

Hedge fund manager Raj Rajaratnam, who has ties to Goldman, has been convicted on all 14 counts of insider trading in what has been called the largest stock-tipping case in a generation, the *San Francisco Chronicle* reports. Rajaratnam used inside information in trades of Goldman stock, earning \$63.8 million. Federal regulators have also accused Rajat Gupta, who sits on a Bill & Melinda Gates Foundation advisory board, of insider trading. Gupta was previously a member of Goldman's board. The SEC claims Gupta conveyed inside information regarding Goldman to Rajaratnam.

Chuka Umunna, a British Member of Parliament who is a member of the opposition Labour Party, is demanding an investigation into a special tax deal U.K. revenue officials cut with Goldman. Officials reportedly failed to make public details of an agreement that let Goldman off the hook for millions of pounds in unpaid taxes after other companies settled similar disputes on less favorable terms, the *Guardian* reports. The fact that the deal was kept secret creates the appearance that there is "one rule for some companies and another for individual taxpayers," said Umunna who sits on a powerful parliamentary committee.