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Some victims were repaid

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Fort Lauderdale lawyer Scott Rothstein paid himself and others millions of dollars, depleting his law firm's accounts -- and creating a liability of more than \$1 billion.

Article Text:

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In the weeks before his \$1.2 billion Ponzi scheme was revealed, attorney Scott Rothstein repaid hundreds of millions of dollars to the investors he had swindled, according to records filed in bankruptcy court this week.

From August to October, Rothstein paid about \$43 million to investment funds run by Fort Lauderdale financier George Levin -- who soon became one of the first victims to complain to the FBI. Levin's investment funds are owed more than \$778 million from Rothstein's defunct Fort Lauderdale law firm, Rothstein Rosenfeldt Adler. Another \$23 million was paid to the company of South Florida car dealer Ed Morse, whose family is claiming more than \$115 million in losses to Rothstein, who was once their lawyer. Rothstein also paid about \$85 million to Miami investor Ira Sochet, who is still owed more than \$147 million, records show.

A court-appointed trustee in the law firm's bankruptcy case said RRA has about \$43 million in assets - - and debts totaling more than \$1.4 billion.

PAID PARENTS

Documents show that Rothstein used the law firm as his piggy bank, withdrawing massive sums for himself and doling out fat loans and payments to friends and family. He even paid salaries to his parents and wife.

Rothstein, 47, was arrested Dec. 1 on federal racketeering, money laundering and fraud charges. He has pleaded not guilty. Prosecutors say he bilked investors by selling them purported lawsuit settlements, then used the funds to re-pay earlier investors in a classic Ponzi scam.

The bankruptcy records show that Rothstein paid himself \$13.4 million from his law firm's accounts between November 2008 and October, when he flew to Morocco as his scheme unraveled. Yet Rothstein never cashed \$846,000 in paychecks from the firm.

Millions more were listed as being paid to Rothstein's partners, employees and business associates, the bankruptcy trustee says.

RECORDS DISPUTED

Among those who allegedly received big loans: Stuart Rosenfeldt, co-owner of the law firm; Marc Nurik, Rothstein's defense attorney; and Irene Stay, the firm's former chief financial officer. However, all three say the information in the court records is inaccurate.

Rothstein's firm paid more than \$300 million to creditors in the 90 days before the bankruptcy case was filed in November, the records show. That timing is significant because those entities might be asked to return money.

But the records of the law firm -- where the now-jailed Rothstein was said to manage the books -- are in disarray. Trustee Herbert Stettin said the information is based on the law firm's unaudited books and might be amended in the future.

Rosenfeldt, co-owner of the law firm, is listed as receiving \$916,000 in loans and repaying slightly more than half, according to court records.

But Rosenfeldt, through his attorney Bruce **Lehr**, denied taking a loan, though he said he made one to the law firm for \$100,000 in 2005.

'NEVER TOOK A LOAN'

"He never took a loan from the firm," **Lehr** said. "These records are just more examples of the handling of finances by Rothstein leaving my client in the dark."

One document lists a \$500,000 bonus to Rosenfeldt on Oct. 27 -- the day Rothstein took a private jet to Morocco, and only days before the scandal came to light. **Lehr** said Rothstein gave Rosenfeldt that money to pay taxes on "phantom earnings."

Court records show that Rosenfeldt earned \$6 million last year, but **Lehr** has previously said that was false. When Rosenfeldt questioned earnings on his tax statements, Rothstein told him that was "phantom" income through profits the firm was making buying and selling businesses with a hedge fund.

"On the 30th, [Rosenfeldt] found out what was going on and he immediately returned the \$500,000 to the firm and made the receiver aware as soon as he was appointed," **Lehr** said.

Paul Singerman, whose Berger Singerman firm is counsel to Stettin, said the purported loan amounts are based on the accountants' analysis of law-firm books. "It is possible the books and records are in error," he said.

Steve Lippman, a firm attorney, was listed as receiving about \$8.9 million in loans since 2006 and repaying \$6.5 million. He could not be reached for a comment.

Rothstein's defense attorney, Nurik, was listed as getting \$190,000. "I didn't have loans anywhere near these amounts," Nurik said, declining to be more specific.

OTHER EXAMPLES

Stay's attorney, Brian Tannebaum, said she received a loan of \$25,000, though she is listed in court records as getting about \$150,000.

J.R. Dunn, a jewelry shop, is listed as receiving about \$650,000 in loans. But Sean Dunn, one of the owners, said the business never received a loan from Rothstein's firm. Rothstein bought jewelry at the shop for years, he said.

Court records also show more than \$6 million the law firm gave to charities, including \$2.5 million to Rothstein's own Rothstein Family Foundation. One of the largest donations was \$1 million to the Florida Care Foundation. Ira Sochet, who is listed as the registered agent of that foundation, was also a Rothstein investor.

Stettin is expected to seek return of the charitable donations.

Among the firm's assets, Stettin listed several bank accounts and items found in Rothstein's offices, including a pair of sneakers signed by basketball star Shaquille O'Neal, a knife signed by Louisiana Gov. Bobby Jindal and two handguns.

Donations from Rothstein's firm

The law firm of financial-swindling suspect Scott Rothstein gave a whopping \$6.06 million to nonprofit groups, arts organizations and foundations in the last year, according to newly released financial records. The defunct Rothstein Rosenfeldt Adler firm made contributions to at least 113 organizations, bankruptcy records show. A total of 34 groups received at least \$15,000 in donations since November 2008.

Here is a list of those groups and how much each got:

* \$2.525 million to the Rothstein Family Foundation

- * \$1 million to Florida Care Foundation
- * \$400,000 to Forever Family
- * \$218,000 to Boys & Girls Club of Broward County
- * \$150,000 to Alonzo Mourning Charities
- * \$150,000 to Key Brand Theatrical Group
- * \$135,000 to the Broward Center for the Performing Arts
- * \$110,000 to Here's Help Inc.
- * \$100,000 to the Anti-Defamation League
- * \$100,000 to the Jason Taylor Foundation
- * \$100,000 to the Community Foundation of Broward
- * \$95,000 to Jewish Adoption and Foster Care Options
- * \$75,000 to the Orange Bowl Committee
- * \$51,450 to Big Brothers Big Sisters of Broward
- * \$50,000 to Broadway Across America
- * \$50,000 to Family Central
- * \$50,000 to Onyx and Breezy Foundation
- * \$40,000 to Conservative Citizens for Justice
- * \$35,000 to Broward Victims Rights Coalition
- * \$26,000 to Broward Partnership for the Homeless
- * \$25,000 to Wade's World Foundation
- * \$25,000 to Jewish Federation of Broward County
- * \$25,000 to Jewish Federation of Davie
- * \$24,000 to Florida Justice Association
- * \$22,000 to Lupus Foundation of America
- * \$20,000 to Florida Consumer Alliance
- * \$20,000 to Coalition for Victims Rights
- * \$20,000 to the Broward College Foundation
- * \$20,000 to Friends of Harry Reid
- * \$18,658 to Leadership Broward
- * \$18,087 to the American Heart Association
- * \$16,000 to the O.J. McDuffie Catch 81 Foundation
- * \$15,250 to March of Dimes
- * \$15,000 to Dade Schools Athletic Foundation

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