

ALLEGED PONZI SCHEMER SCOTT ROTHSTEIN'S CASE WILL BRING A BIG PAYDAY FOR SOUTH FLORIDA LAWYERS. HOW MUCH? TRY: \$15,000,000

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While Scott Rothstein's alleged \$1.2 billion Ponzi scheme has proved a tragedy to hundreds of former employees, creditors and investors, it has been a boon to one group — South Florida's lawyers.

According to experts, when all is said and done, the case will result in legal fees topping \$15 million. That figure includes fees to the receiver, Herb Stettin; the two law firms he hired to assist him; a cadre of lawyers and firms hired by creditors and the attorney for the creditors' committee; defense fees for banks, insurance companies and other sued parties; and fees paid to all the criminal defense lawyers hired by Rothstein partners, associates and family members.

"This is like the lawyer's relief act," said Guy Lewis, a Miami attorney and former U.S. attorney who has served as receiver in numerous Ponzi/fraud cases. "It's going to be an eight-figure case. It's probably the biggest receivership in the country right now."

Rothstein was arrested Dec. 1 and is expected to plead guilty Wednesday after investors accused him of skipping payments on settlement financing arranged through law firm accounts. Authorities charged Rothstein with a \$1.2 billion scam.

His spectacular arrest led to the unwinding of his former 70-lawyer firm, Fort Lauderdale-based Rothstein Rosenfeldt Adler, which is now in bankruptcy and receivership. Federal authorities have seized or filed forfeiture actions to take millions of dollars worth of sportscars, mansions, jewelry and other assets from the former high-flying firm, but the assets are also being sought by creditors, investors and other interested parties.

Fighting for scraps for their clients, to keep their clients from also being arrested or sued and to sort through the giant financial mess are the lawyers — dozens of them.

The lucky man at the top of the legal ladder is Herb Stettin, who was chosen by Broward Circuit Judge Jeffrey Streitfeld as the trustee and receiver. Stettin, a Miami-Dade senior judge, so far has only received a payment for \$59,700 in mid-December, for some 120 hours of work from Nov. 3 through Nov. 20, or almost \$500 an hour. But by the time the case winds down, which is expected to take roughly three years, Stettin will likely take home several million dollars, legal experts say.

"He will get a percentage of whatever is recovered, on a sliding scale that goes up to 3 percent," explained Michael Goldberg of Akerman Senterfitt, who was hired to represent the creditors' committee. Stettin did not return calls for comment.

TEAM OF LAWYERS

As is the case with all such massive Ponzi receiverships, Stettin hired numerous lawyers to assist him. The two law firms Stettin hired to assist him in bankruptcy litigation, Berger Singerman and Genovese Joblove & Battista, have not yet submitted fee requests, said Chuck Lichtman, one of the lead counsels on the case for Berger Singerman.

Berger Singerman, which has 10 attorneys working on "aspects of the case" but two on it full time, is serving as bankruptcy counsel while the Genovese firm is acting as conflict counsel and litigation counsel. The two firms speak daily and prepare extensive task lists to dole out to firm members, all related to the winding down of the RRA firm, identifying and marshalling assets and dealing with bankruptcy court.

"I'm quite proud of the tremendous job of organization we are doing," Lichtman said. "We are working on this as quickly as efficiently as we can."

The lawyers who have gotten Rothstein-related paychecks already are the scores of criminal defense attorneys who received retainers. They include **Bruce Lehr, who is representing Stuart Rosenfeldt**, former equity partner of the RRA firm; Brian Tannebaum, who is representing Irene Stay, former firm CFO; Fred Haddad, who is representing RRA named partner Russell Adler; and Scott Saidel, who is representing Rothstein's wife, Kim.

Additionally, Paul Lazarus has been hired to represent Debra Villegas, former RRA chief operating officer, who has been subpoenaed by the trustee; Sam Rabin, who is representing Frank Spinosa of TD Bank, Rothstein's bank; and Bruce Zimet, who is representing former RRA partner Steve Lippman.

Tannebaum downplayed the fees, saying, "This is going to result in a lot of business for lawyers, no question, but I'm just not sure you're going to hear about a lot of high fees," he said. "Criminal lawyers typically work on flat fees, not the millions of dollars that people think."

Also starting to lawyer up, according to lawyers involved in the case, are more than 35 former RRA lawyers who the Florida Bar recently confirmed it is investigating.

INVESTORS' SUIT

Leading up the investors lawsuits is Bill Scherer, a longtime Fort Lauderdale attorney who joked to reporters in court that he felt like he was Rip Van Winkle waking from a deep sleep when the Rothstein case hit. While other lawyers in town are complaining about their business suffering due to the economy, Scherer says that is no longer a problem for him.

While this is not Scherer's biggest case — that was representing the Republicans in the 2000 presidential election recount — it is keeping his entire firm busy day and night.

"We're working on this all the time," he said. "My friends who are real estate attorneys are telling me they're not busy, my friends who are dealmaker attorneys are telling me they're not busy. But those involved in the Rothstein litigation are quite busy."

Other lawyers representing creditors are the Tripp Scott firm, which is representing one of the biggest investors alleged to be defrauded in the case, car dealer Ed Morse; Bruce Katzen, who is representing EMEES Capital; and Phil Hudson, representing investor Ira Sochet.

Michael Goldberg, a veteran receiver in Ponzi schemes and bankruptcy attorney, was hired to represent the creditors' committee. Goldberg, whose name was bandied about to be trustee in the Rothstein case, said he has discounted his rate for this case and is charging \$535 an hour.

Goldberg said that all the lawyers involved in the case are taking care not to duplicate efforts or double dip, so as to preserve as much found funds for investors and victims.

'NECESSARY'

In previous Ponzi receiverships, complaints have been made that the various litigating parties — particularly federal authorities and private attorneys for investors and creditors — have battled to recover the same funds, sometimes duplicating efforts, drawing out litigation and eating up a significant part of the pot of money that could have gone to victims.

"This is not litigation being brought for the sake of litigation," insisted Goldberg. "This is necessary litigation that should result in a very nice recovery for the creditors. All the lawyers are going to have to bring the results before the court to have their fees approved. We are being very careful not to duplicate."

Goldberg compared the case to another local Ponzi, Premium Sales, in which millions of dollars in legal fees were paid out but hundreds of millions were paid out to creditors.

“The recovery wouldn’t have been obtained without the lawyers’ hard work,” he said. “I don’t see anything abnormal about this case.”

But Bankruptcy Court Judge Raymond Ray will have to keep a tight rein on all the lawyers’ work to ensure that duplication does not occur.

“It’s a natural tendency of having dozens of lawyers, dozens of law firms trying to do the same thing — namely, turning over every stone to try to find money,” said Guy Lewis, who has experience in these type cases. “It’s critical that the lawyers for the investors, the agencies involved in investigating the case, all the lawyers involved very carefully and cautiously make sure there is no duplication of efforts and at the same time working closely to make sure this case is streamlined, because it comes out of the investors’ pockets at the end of the day.”

Lewis was the receiver in the KL case, a four-year, \$300 million Ponzi scheme that wrapped up last year. Legal fees in that case totaled \$300,000. Lewis, who hired local law firm Kozyak Tropin & Throckmorton to assist him, said he had no issue with Stettin hiring two law firms.

Still, not every lawyer in town wants to jump into the Rothstein case, despite the potential payday. Carl Schuster, managing partner of Fort Lauderdale-based Ruden McClosky, said his firm has been asked to represent investors but declined.

“So far we’ve tried to stay as far away from that case as possible,” he said. “We feel uncomfortable suing people we know, suing our friends.”