

Justice Watch

Spending could be focus if Rosenfeldt is indicted

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By: John Pacenti

Attorney Stuart Rosenfeldt has always insisted he knew nothing of the \$1.2 billion Ponzi scheme perpetrated out of his Fort Lauderdale firm by his law partner Scott Rothstein.

The question is whether a jury will believe it.

Sources tell the Daily Business Review that Rosenfeldt is likely to be indicted by the end of the summer or in early October and that other major players at Rothstein Rosenfeldt Adler could also face charges centered on illegal campaign contributions.

The delay in charging Rosenfeldt, sources say, has been limited manpower resources at the U.S. attorney's office. The defunct Rothstein law firm isn't the only investor fraud vessel under scrutiny by federal prosecutors and investigators in South Florida.

Prosecutors still hope to bring to trial a case against the principals of viatical purveyor Mutual Benefits whom the government also alleges perpetrated a billion-dollar Ponzi scheme.

The U.S. attorney's office declined comment.

Rosenfeldt's criminal defense attorney, **Bruce Lehr**, a partner at Lehr Fischer & Feldman, said he had no comment on whether the federal government will bring charges against his client. But he reiterated Rosenfeldt's position that he knew nothing of Rothstein's fraud — where bogus lawsuit settlements were used to lure victims into investing millions with him.

Rothstein worked in what was called the "inner sanctum," a cordoned-off suite in RRA's plush offices on Las Olas Boulevard. The inner sanctum was accessible only by a few RRA employees, such as his chief operations officer Debra Villegas and chief financial officer Irene Stay.

Villegas, so far, has been the only one besides Rothstein to be charged. She, like Rothstein, is cooperating with federal authorities.

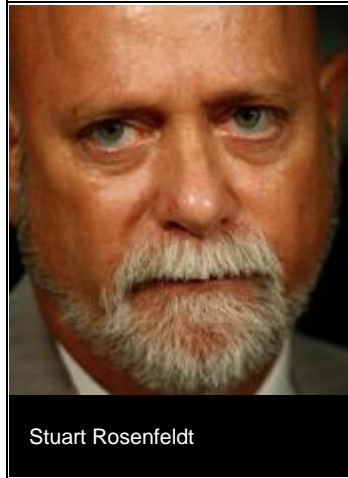
"A review of the documents from the computer servers of RRA will reveal Scott Rothstein worked very hard to keep Stuart Rosenfeldt close to him but in the dark," **Lehr** said. "The paper trail shows it."

But former U.S. Attorney Guy Lewis says Rosenfeldt's ignorance defense may not get him off the hook.

Records show that Rosenfeldt charged \$1 million on the firm's credit card, including more than \$439,000 in purchases just from Dec. 3, 2008 to June 18, 2009.

"The question is, did you take steps not to know and you deliberately ignored the facts that were clear and apparent," Lewis said. "That's the same as you knowing."

Lehr said in defense of Rosenfeldt, that "if it was that obvious and apparent, intelligent people would not have handed over a \$1.2 billion to Rothstein."



Stuart Rosenfeldt

The credit card expenses could be the prosecutor's smoking gun. Even as an equity partner, Rosenfeldt could only use the card for legitimate business expenses. In an e-mail on April 22, 2007, Rothstein informed Rosenfeldt that he was authorized to put up to \$35,000 a month in expenses on the card.

The weekend that Rothstein fled to Morocco as his Ponzi scheme collapsed, Rosenfeldt spent \$6,890 at J.R. Dunn for jewelry.

But very few purchases appeared business-related as Rosenfeldt bought expensive reptiles, furniture, jewelry and suits. Rosenfeldt also made a number of charitable donations using the credit card, which if deducted from his taxes, could also have criminal implications.

"You have to declare tax on it. It gets real dicey vis-a-vis the IRS and tax implications," Lewis said. "You spend that type of money on a credit card that is billed to a law firm, that is a real minefield."

Rosenfeldt was asked about nearly every purchase during a July 2 sworn deposition in the RRA bankruptcy case. He asserted his 5th Amendment right not to answer hundreds of times to those questions.

He said he looked at the financial records of the firm at the beginning of his partnership with Rothstein in 2001, but soon stopped. Rosenfeldt said he had no head for numbers, that he was a people person and left the bookkeeping up to Rothstein.

Lehr informed Chuck Lichtman, a partner at Berger Singerman who represents the court-appointed trustee, that all questions regarding political contributions were also out of bounds, as were any loans that his client may have received from RRA.

"Answering questions to that specific topic could expose my client to criminal liability," **Lehr** said.

Herbert Stettin, the court-appointed trustee, has sought about \$8 million in unjust compensation from Rosenfeldt.

Federal prosecutors alleged when charging Rothstein that he used bonuses to repay campaign donations to Gov. Charlie Crist and other high-profile political figures. Rothstein's political connections were big selling points to those he targeted for his Ponzi scam, adorning the RRA office's with photos of himself and politicians.

During the deposition, Lichtman particularly focused on a \$140,000 bonus Rosenfeldt received on May 19, 2008.

About the same time, Rosenfeldt donated \$140,000 to the failed presidential bid of U.S. Sen. John McCain, the Arizona Republican.

"Wasn't it a red flag to you that you were getting repaid back for political contributions," Lichtman asked Rosenfeldt in the deposition. Rosenfeldt refused to answer the question.

Rosenfeldt may not be the only RRA partner with criminal liability when it comes to political donations. Sources told the DBR that prosecutors are also getting ready to pull the trigger on some of those indictments by early fall.

Russell Adler, who was on the firm's nameplate but was not an equity partner, donated \$80,000 to the McCain campaign after he received a \$140,000 bonus in May. His wife, Katie, donated \$39,200.

Steve Lippman, another RRA partner, and his wife, Marcy, also gave \$65,000 and \$60,000, respectively, after receiving bonuses.

Fred Haddad, a Fort Lauderdale criminal defense attorney representing Adler, said while other RRA employees may have the federal government in their rearview mirror, his client has nothing to worry about.

"Russ was a hard-working lawyer and made money that was commensurate to what he produced," Haddad said.

"We have always said he committed done no wrongdoing, and we stand by that."

The political contributions could lead to money laundering and other serious federal charges with prosecutors arguing that not only did the contributions stem from Ponzi money but it perpetrated the scheme as well.

"The anti-money laundering statutes say that basically you can't conduct a financial transaction with the proceeds of criminal activity and conduct," Lewis said.

How far prosecutors will go in seeking charges against principals of the law firm may have to do with Rothstein himself. He has said he is cooperating in hopes of saving his soul but most likely he will be motivated to reduce his 50-year prison sentence by giving prosecutors what they want. As a result, anything Rothstein says will be suspect, Lewis said.

"The A-bomb is Rothstein," Lewis said. "Rothstein has cooperated. That could be monumentally hurtful or monumentally helpful to the partners. If he says they knew what was going on, then it's game over."

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