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Rothstein's ex-buddies brace for criminal charges

A lot of people who benefitted from their association with Scott Rothstein could soon face criminal charges.

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When Scott Rothstein was arrested in late 2009 for running more than a billion-dollar investment scam, everyone wondered who else was in on it.

If you are to believe the extraordinary testimony the convicted South Florida attorney recently gave in civil cases brought by hundreds of his fleeced investors, the cast of potential criminal co-conspirators reads like credits in an epic movie entitled "The Great Ponzi Scheme."

Rothstein, 49, who once lived in a waterfront mansion and chartered private jets, testified he blew \$150 million on a "rock-star lifestyle" that allowed him to swagger in legal, business and political circles to create the illusion of power to peddle his Ponzi. But he also alleged he gave out cash like "Santa Claus hands out candy canes" to influence lawyers, politicians, judges and police officers, declaring that "bribes" and "public corruption" were another layer to his lifestyle of "greed."

The middle-aged con man, now desperate to reduce his 50-year sentence so he doesn't die in prison, fingered so many colleagues and associates during his so-called Big Deposition that the federal criminal investigation could result in far more defendants than first envisioned, according to lawyers familiar with the evidence.

"The criminal case is two or three times bigger than I thought, and I thought it was pretty big to begin with," said Fort Lauderdale attorney William Scherer, who is representing 55 investors who lost \$185 million in Rothstein's racket.

"It went way beyond the Ponzi scheme — illicit businesses, money laundering, political campaign donations, mob connections, escort services, jewelry deals. He was the great corruptor of our community, and he rolled it all into this vast criminal enterprise."

Charles Lichtman , a lawyer for the trustee handling the bankruptcy of Rothstein's 70-attorney law firm, said his testimony over a two-week period in December "suggested that a fairly significant number of people got caught up in the fraud and could conceivably be prosecuted for a variety of bad acts.

"If you look at the fraud as a wheel, he was at the center and there were dozens of spokes coming out," Lichtman said.

Rothstein, who was consumed with hustling money from others during the latter part of the past decade, fled Fort Lauderdale for Morocco in October 2009. His scheme of selling phony confidential legal settlements out of his Las Olas Boulevard law firm to wealthy investors from Florida, New York and Texas had suddenly crashed. His investors had lost more than \$360 million.

On the lam, Rothstein had three choices: remain a fugitive living on \$16 million he had wired to himself; take his own life with a cocktail of pills and vodka; or return to South Florida to face the feds.

Rothstein says he grew a conscience and decided to come home, giving prosecutors, the FBI and Internal Revenue Service an insider's view of how he orchestrated one of Florida's biggest financial frauds. Rothstein, now imprisoned in an undisclosed location under the federal witness protection program, has helped authorities prosecute seven others accused of playing supporting roles in his scheme.

But those prosecutions — including the firm's chief operating officer, Debra Villegas ; a fellow firm lawyer, Howard Kusnick ; two tech-support employees, Curtis Renie and William Corte ; a nightclub owner, Stephen Caputi ; Rothstein's uncle, William Boockvor ; and an administrative assistant, Marybeth Feiss — have been mere rehearsals for blockbuster indictments likely to come later this year.

At least a dozen more of Rothstein's colleagues and associates, including partners Stuart Rosenfeldt , Russell Adler and Steven Lippman , are expected to be charged in the ever-widening racketeering conspiracy case.

Other likely criminal targets are: the Rothstein firm's one-time chief financial officer, Irene Stay ; Rothstein's former general counsel, David Boden , who reviewed investment and business proposals; Frank Preve, a senior executive for a group of hedge funds that poured hundreds of millions of dollars into Rothstein's scheme; and Michael Szafranski , who was hired by the hedge funds to verify investment records and later recruited his immediate family to put money into Rothstein's deals.

Defense attorneys say Rothstein's accusations that they were all aware, participated in or knowingly benefited from his fraudulent scheme are baseless.

"Even though the deposition was given in a civil context, Rothstein, the narcissist, had clearly one goal in mind: that was to throw as many people under the bus as possible," said Rosenfeldt's attorney, Bruce Lehr . "My client was completely in the dark."

Said Adler's attorney, Fred Haddad : "He is ratting out everybody he can. The guy wants out of jail."

Boden's attorney, Alan Ross , said that his client's principal role was to provide counsel for Rothstein's investments in side businesses, such as the Bova Prime restaurant, Renato Watches, Georgio Vodka, and the Versace mansion on South Beach: "He, like so many others, believed Rothstein," Ross said. "Rothstein was the best show in town."

Szafranski's lawyer, Howard Srebnick , said his client was "fooled" by fabricated paperwork for bogus civil settlements and by fake bank computer records created by Rothstein's tech-support employees at his request. Srebnick said Rothstein's allegation that his client went from being a verifier to a collaborator is "demonstrably false," arguing it would "make no sense" for Szafranski to invest his and his family members' money if he had already discovered the lawyer was running a Ponzi scheme.

Stay's attorney, Brian Tannebaum , said his client followed her boss' orders, paid bills and moved money in and out of the firm's trust accounts at Toronto Dominon Bank , but she was totally unaware of Rothstein's investment racket.

"He admittedly hid this scheme from most of the people around him — that's the only way he could accomplish it," said Tannebaum, past president of the Florida Association of Criminal Defense Lawyers . "And now he's trying to say that all these people knew? The nature of a Ponzi scheme is secrecy."

The number of potential criminal defendants could rise even higher if prosecutors decide to target several lawyers — including Lippman, a partner — who were reimbursed by Rothstein's firm in an alleged bundling scheme to benefit powerful politicians. It entailed giving more than \$1 million in federal campaign donations to politicians such as former Florida Gov. Charlie Crist , who ran for the U.S. Senate ; one-time U.S. Sen. Mel Martinez ; and former GOP presidential nominee John McCain .

"I think the government is deeply invested with this guy and you're going to see a lot more people getting charged," said Miami attorney Sam Rabin .

Rabin is representing Frank Spinosa , who faces possible criminal charges. He is a former vice president at [TD Bank](#) , where Rothstein allegedly manipulated the flow of millions of dollars with the banker's assistance.

Rothstein testified that he gave Spinosa at least \$50,000 in cash to look the other way at suspicious transactions in the firm's accounts — allegations that Rabin strongly denied.

Rabin, like every other criminal defense attorney involved in the sprawling case, argues that Rothstein is a natural-born liar who cannot be trusted because his only motivation is to reduce his staggering prison sentence by helping the feds take down other lawyers, bankers and business associates.

But Rabin, who sat through the entire deposition, further argues there are emails and other documents that "demonstrate Rothstein is fabricating testimony" and "putting the Rothstein spin on it."

"Unfortunately, the same attributes that made him a great Ponzi schemer are also serving him well as a witness," he said. "He has the ability to look you in the eye and lie with complete disregard for the truth."

Former U.S. Attorney Jeffrey Sloman , whose office brought the original fraud charges against Rothstein, said that standard defense ploy will only play so long. Why? Because authorities will have other cooperating witnesses along with millions of emails, bank documents, tax records and campaign finance reports to back up Rothstein's statements.

"Everyone can fall back on saying Scott Rothstein is the biggest crook in the world and cannot be believed," Sloman said. "But some of the most despicable people have been great witnesses."

"If it's all corroborated by the government, it's going to be an uphill climb for the targets of this investment scheme," said Sloman, who predicted that more suspects might now come forward to cut plea deals with prosecutors in the aftermath of Rothstein's deposition.

During his deposition, Rothstein was initially asked why anyone — including more than 30 lawyers who attended the closed-door session in Miami federal court — should now believe him.

"I have been sentenced to 50 years in prison," Rothstein said at the outset of the deposition, which generated 3,000 pages of transcripts posted on the Web site of Scherer's law firm. "The only chance that I have to be released early, the only chance is I must tell the truth about everything that I know."

"That's what I have been doing for the last two years since I returned. ... I would be a fool to lie."

U.S. District Judge James Cohn , who has shown utter contempt for Rothstein's greed, lies and corruption, would have final say after prosecutors seek any reduction for his cooperation.

The 10-day deposition revealed that the once-pudgy Rothstein, now buff after working out in prison and sporting a goatee, generally possessed remarkable stamina as he summarized the sordid details of his scheme.

But there were other times when he would give vague testimony, saying that this colleague or that associate had to know something was up because of all the lavish living, from salary bonuses to escort services.

"Stu [Rosenfeldt] was in a unique position," he said. "Stu was not involved in the Ponzi scheme, other than to live the lifestyle," such as enjoying a \$6 million salary in 2008 and the company of prostitutes at a condo Rothstein claims he maintained for Rosenfeldt and several others in the firm.

"At some point in time he became aware that we were selling the illegal settlements," Rothstein testified, without elaborating.

Still, in many other instances, Rothstein delivered specific details of alleged misconduct.

His scheme revolved around investors believing they were buying multimillion-dollar legal settlements in sexual harassment and whistleblower cases from plaintiffs who preferred to get a discounted lump-sum payment quickly rather than wait for all the money over a lifetime. Rothstein, now disbarred, said his office staff created hundreds of phony legal settlements to lure in millions of dollars between 2006 and 2009. But just months before the scheme's collapse, a group of New York hedge funds grew suspicious about the firm's purported supply of settlements.

So, Rothstein said, he arranged for his partner, Adler, to round up outside attorneys to meet with the skeptical investors. Rothstein said he gave Adler cash to pay off four Fort Lauderdale attorneys who participated in the alleged ruse.

Adler's attorney, Haddad, sharply denied the allegation.

One major mystery still hangs over the Rothstein case: During the deposition he was confronted by attorney **Mary Barzee-Flores** about whether he had "conned" and "fooled" a bunch of national politicians during the course of his Ponzi scheme.

Barzee-Flores, who is representing Gibraltar Bank , where Rothstein had also kept his firm's trust accounts, rattled off a series of big names: former President George W. Bush ; GOP presidential candidate John McCain ; his running mate, Sarah Palin ; U.S. Sen. Joseph Lieberman from Connecticut; and former California Gov. Arnold Schwarzenegger .

Rothstein, who served as a delegate to the 2008 Republican National Convention and also served on a Florida commission that recommends judges to the governor for appointment, admitted he "fooled" them all.

Rothstein was also asked whether he "fooled" Crist, who ran for the U.S. Senate in 2010, or Martinez, the former U.S. senator from Orlando who resigned his seat before finishing his term, saying he wanted to spend more time with his family.

But Rothstein was not allowed to answer the questions about the two Florida politicians because of objections raised by the lead federal prosecutor in the criminal case, Lawrence LaVecchio , who cited "investigatory privilege." Legal experts said LaVecchio objected because his team is still investigating political donations that Rothstein and other members of his firm made to their campaigns.

Neither Crist nor Martinez returned phone messages seeking comment.

The South Florida Sun-Sentinel contributed to this story.

---- INDEX REFERENCES ---

COMPANY: SENTINEL SECURITY LIFE INSURANCE CO; GIBRALTAR PRIVATE BANK AND TRUST CO;
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