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Bankruptcy lawyers: Rothstein partners made 'fraudulent' transaction

By Amy Sherman and Jay Weaver

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Two senior law partners of convicted Ponzi schemer Scott Rothstein received \$18 million in "purported loans" from his Fort Lauderdale firm -- and then almost immediately repaid most of the money to the firm, Rothstein or others, according to allegations in new bankruptcy court filings.

Bankruptcy lawyers sorting through the wreckage of the firm say its co-owner, Stuart Rosenfeldt, and partner Steven Lippman funneled millions from the "loans" to third parties, including name partner, Russell Adler; a Broward County nightclub owner who did business with Rothstein; and a victim in Rothstein's investment scam.

Rosenfeldt and Lippman engaged in curious and circuitous movement of firm funds, through "the systematic trading of checks with [the Rothstein Rosenfeldt Adler firm] and paying third parties with RRA funds," the bankruptcy lawyers said in a complaint filed Thursday.

A former federal prosecutor in South Florida said these transactions create a "target-rich environment" for the FBI and U.S. attorney's office.

"Clearly, movement of funds under these circumstances raises suspicion to a trained observer as to at least the possibility of structuring transactions to launder funds," said former chief assistant U.S. attorney Myles Malman, a white-collar criminal defense lawyer in Fort Lauderdale. "Who knew what and when will be the key as to any federal charges."

Lawyers Charles Lichtman and Paul Singerman, working on behalf of a bankruptcy trustee for the defunct 70-attorney firm, say the partners' transactions were "fraudulent" and are seeking to recoup unpaid loans and other questionable payments made to Rosenfeldt, Lippman and others.

They're also going after \$475,000 in unpaid loans to Adler, who bought a New York apartment with his wife in August, just two months before the collapse of Rothstein's \$1.2 billion investment scam.

Their latest bankruptcy court papers also disclose this detail: Rosenfeldt -- who owned half of the firm, while Rothstein owned the other half -- charged \$1 million on his firm-issued American Express card to pay for 72 pieces of jewelry for his wife, Susanne, along with home furnishings, clothes, vacations, restaurant meals, exotic reptiles and "numerous" local hotel room charges.

Rosenfeldt also transferred at least \$690,000 in purported loans or salary payments to his wife, on 30 separate occasions. All three partners also received hundreds of thousands of dollars in salary bonuses in 2008, and then they and their wives immediately turned around and contributed much of the money to the GOP presidential ticket of John McCain and Sarah Palin, court papers show.

The three partners' defense lawyers maintain that Rosenfeldt, Adler and Lippman committed no wrongdoing. The trio -- along with other firm employees -- are under federal investigation for possible fraud, money laundering, tax evasion and campaign violations as part of the Rothstein racketeering case, according to sources familiar with the probe.

Rosenfeldt's attorney Bruce Lehr had not yet seen the complaint Thursday afternoon.

"The allegations in the lawsuit are going to prove to be overstatements based upon information undoubtedly supplied by the RRA books, which we definitely call into question," Lehr said.

Lehr said Rosenfeldt's expense accounts and political donations were legitimate.

All three partners say they knew nothing about Rothstein's Ponzi scheme run out of the Las Olas Boulevard firm.

Rothstein pleaded guilty in late January to five counts of racketeering, fraud and money laundering stemming from his sale of fabricated legal settlements to investors. Rothstein, who authorities say ran a \$1.2 billion investment scam, faces up to 100 years in prison at his May 6 sentencing.

The bankruptcy lawyers have filed a series of lawsuits -- including a complaint to recoup a total of \$9.4 million in salary, loans, credit card expenses and other payments from Rosenfeldt, of Boca Raton; \$3.8 million from Lippman, of Plantation; and \$1.2 million from Adler, of Fort Lauderdale.

Rosenfeldt and Lippman typically deposited their RRA loan checks and then quickly turned around and disbursed the money back to the firm or Rothstein for a lesser amount, or to third parties, according to the bankruptcy complaint.

Rosenfeldt also used some of his \$9 million in loans to write a check for \$61,500 to Kendall Sports Bar, which does business as Cafe Iguana in Pembroke Pines. Rothstein had an interest in the establishment with club owner Stephen Caputi.

Rosenfeldt also wrote "numerous" checks to his partner, Adler, in amounts of \$1,000 to \$5,000 -- describing them as "loans."

The law firm also loaned Lippman almost \$9 million, the complaint says.

Like Rosenfeldt, Lippman used the loans to write checks to third parties. Among them: one check for \$89,000 to Kendall Sports Bar; two checks for \$463,000 to Rothstein; and four checks totaling \$797,000 to Banyon, the biggest Rothstein investor.

Lippman also wrote four checks totaling nearly \$90,000 to a Rothstein business partner, Albert Peter. Peter is a one-time chief executive officer of Silver Sea Cruises in Fort Lauderdale.