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Subject: DoJ Release on Rothstein guilty plea

Date: Sun, 07 Feb 2010 22:17:24 +0000

Jeffrey

Here is the DoJ press release on the Rothstein plea which uses the words "criminal enterprise." The criminal information (effectively the charging document) filed by the US Attorney also specifically acknowledges RRA was a "criminal enterprise"

Press Release

FORT LAUDERDALE ATTORNEY PLEADS GUILTY IN BILLION DOLLAR PONZI SCHEME

January 27, 2010

FOR IMMEDIATE RELEASE

Jeffrey H. Sloman, United States Attorney for the Southern District of Florida, John V. Gillies, Special Agent in Charge, Federal Bureau of Investigation, Miami Office, and Daniel W. Auer, Special Agent in Charge, Internal Revenue Service, Criminal Investigation Division, announced today that attorney **Scott Rothstein**, 47, of Fort Lauderdale, Florida, entered a plea of guilty to a five-count Information. Defendant Rothstein is scheduled for sentencing before the Honorable James I. Cohn on May 6, 2010. He faces a total maximum statutory term of imprisonment of 100 years.

Rothstein plead guilty to one count of conspiracy to violate the Racketeering Influenced Corrupt Organization (RICO) statute (Count 1); one count of conspiracy to commit money laundering (Count 2); one count of conspiracy to commit mail fraud and wire fraud (Count 3); and two counts of wire fraud (Counts 4 and 5). In addition, Rothstein agreed to forfeit \$1.2 billion, including 24 pieces of real property, numerous luxury cars, boats, and other vessels, jewelry, sports memorabilia, business interests, bank accounts, and more.

According to court records and statements made in court, **Rothstein admitted that from around 2005 through November 2009, he engaged in a pattern of racketeering activity through his law firm, Rothstein, Rosenfeldt, and Adler, P.A. (RRA), located in Ft. Lauderdale, Florida. Specifically, Rothstein admitted that RRA was the criminal enterprise** through which he and others fraudulently obtained approximately \$1.2 billion from investors through bogus investment and other schemes. According to the Information, defendant Rothstein and co-conspirators used RRA to fraudulently induce investors to: (1) loan money to non-existent borrowers based upon promissory notes and requests for short-term bridge loans for business financing; and (2) invest funds based upon anticipated pay-outs from purported confidential civil settlement agreements.

In court, defendant Rothstein admitted that he and other co-conspirators solicited investors to loan money to purported RRA clients through promissory notes and short-term bridge loans. Defendant Rothstein falsely represented to the investors that the purported clients were willing to pay high rates of return on these loans. In the settlement agreement scheme, Rothstein and other co-conspirators solicited clients to invest in purported civil case settlement funds. Rothstein and his co-conspirators falsely told investors that these settlements ranged in amounts from hundreds of thousands to millions of dollars. Rothstein falsely represented to investors that these settlements could be purchased at a discount and would be repaid over time to the investors at full face value. In addition, investors were told that these funds would be held in the trust account of RRA. In both instances, the purported investment vehicles never existed, but were part of an elaborate Ponzi scheme in which new investors' money was used to repay money owed to earlier investors.

To execute this four-year fraud scheme, Rothstein and his co-conspirators used multiple bank accounts at TD Bank, N.A., Gibraltar Private Bank and Trust, and other financial institutions to deposit and launder investors' money. As well, to perpetuate and conceal the fraud, Rothstein and his co-conspirators created and caused the creation of false bank documents, false on-line bank account information, and false settlement agreements and promissory notes, which were shown to investors as proof that the settlement and loan monies existed. In fact, however, there were no settlement funds or loan clients and the bank accounts only contained "Ponzi" scheme funds.

To further fund the Ponzi scheme, defendant Rothstein and other co-conspirators defrauded clients of RRA in a civil suit initiated by RRA on their behalf as plaintiffs. Without the clients' knowledge, RRA settled the lawsuit in favor of the defendant, thereby obligating the clients to pay \$500,000 to the defendant in the civil lawsuit. To perpetuate and conceal the fraud, defendant Rothstein and other co-conspirators created a false federal court order, purportedly signed by a United States District Judge, stating that the clients had won the lawsuit and were owed a judgment of approximately \$23 million. The false court order also stated that the defendant in the civil suit had transferred the funds to the Cayman Islands to avoid paying the judgment. Defendant Rothstein and other co-conspirators falsely advised the clients that to recover those funds, the clients were required to post bonds. In this way, defendant Rothstein caused the clients to wire transfer approximately \$57 million to a trust account he controlled, purportedly to satisfy the bonds.

According to the Information, defendant Rothstein and other co-conspirators used the funds obtained through the Ponzi scheme for their own benefit. This included, for example, using the money to fund and operate RRA, to make contributions to federal, state, and local political candidates, and generous donations to public and private charitable institutions. The money was also used to pay for lavish gifts, including exotic cars, jewelry, boats, cash and bonuses to individuals and members of RRA, to hire local police officers to provide security, and to provide gratuities to high ranking members of police agencies. In addition, the money was used to purchase controlling interests in restaurants and other businesses, and to socialize with politicians and sports figures. According to the Information, these expenditures were calculated to enhance defendant Rothstein's reputation and ability to solicit potential investors in the Ponzi scheme, provide an air of legitimacy and credibility to RRA, engender loyalty, and deflect law enforcement scrutiny.

United States Attorney Jeffrey H. Sloman said, "Today's guilty plea is an important step in bringing to justice those who perpetrated a \$1.2 billion Ponzi scheme under the guise of operating a legitimate law firm. The United States Attorney's Office will continue to pursue all leads and evidence as they are uncovered. Rest assured, those who are criminally culpable will be held accountable. Victims can also take comfort in knowing that the United States will do everything it can to identify, seize and equitably refund fraud proceeds."

"Scott Rothstein used a classic approach to mislead investors—an ostentatious lifestyle, a charismatic personality, and guarantees of sky-high returns—all red flags in the world of Ponzi schemes," said FBI Special Agent in Charge John V. Gillies. "It is a lesson for all investors to learn that they need to look beyond the hype. We will continue to work with our partners to investigate investment fraud schemes. The quick resolution of this case was the direct result of the outstanding teamwork between the U.S. Attorney's Office, the Internal Revenue Service, and the FBI."

IRS Special Agent in Charge Daniel W. Auer stated, "This case shows that the appearance of success can be a mask for a tangled financial web of lies. This investigation is not over as we are committed to 'following the money trail.' We will continue to pursue the evidence wherever it leads, leaving no financial stone unturned."

Mr. Sloman commended the investigative efforts of the FBI and the IRS in connection with this investigation. Mr. Sloman also noted the cooperative efforts of the Securities and Exchange Commission, Miami Regional Office. The case is being prosecuted by Assistant U.S. Attorneys Lawrence LaVecchio, Paul F. Schwartz, and Jeffrey N. Kaplan. The forfeiture proceedings are being handled by Alison Lehr and Evelyn Baltodano-Sheehan.

Attachments:

[Plea Agreement](#) (PDF)

A copy of this press release may be found on the website of the United States Attorney's Office for the Southern District of Florida at <http://www.usdoj.gov/usao/fls>. Related court documents and information may be found on the website of the District Court for the Southern District of Florida at <http://www.flsd.uscourts.gov> or on <http://pacer.flsd.uscourts.gov>.

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