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Receiver appointed to Rothstein law firm

Legal Services By Jon Burstein, Paula McMahon, Sally Kestin and Brittany Wallman

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FORT LAUDERDALE - Scott Rothstein is back in South Florida and the losses being attributed to his investment business exceed at least \$400 million, according to attorneys who attended an afternoon court hearing about the scandal.

Rothstein is in the region and "the most persistent rumor is that he is in some meeting somewhere with federal authorities," Kendall Coffey, the attorney hired by the Rothstein, Rosenfeldt and Adler law firm, said in court Tuesday.

Broward Circuit Judge Jeffrey Streitfeld appointed retired Miami-Dade Judge Herbert Stettin to act as a receiver for the troubled firm, saying he had decided he wanted an independent person to begin the review of the firm's records. Stettin will have complete authority over all the property and files of the law firm and will make all financial decisions that are in the best interest of the firm or clients, Streitfeld said.

Streitfeld also placed the law firm and running of operations "100 percent" under the leadership of Stuart Rosenfeldt, who has been a 50 percent partner with Rothstein.

Rothstein had failed to show up at two crucial court hearings that he had been given adequate notice to attend, Streitfeld said.

"He has in my view, for now, relinquished his authority with that law firm," the judge said in court.

At least 50 attorneys and members of the public attended the hearing in the Fort Lauderdale courthouse. Many declined to identify themselves but several attorneys who spoke on the record, said they had credible information that the losses total more than \$400 million.

Some staff who may have had knowledge of what Rothstein was doing have been removed, said attorney Grant Smith

Police were called today to the downtown Las Olas Boulevard building that houses the Rothstein, Rosenfeldt and Adler law firm when the business called them with safety concerns after it accused a co-founder of misappropriating millions from wealthy investors, a police spokesman says.

"We are solely here to maintain the peace," police Sgt. Frank Sousa said this afternoon.

Sousa said police had no role in the investigation of Scott Rothstein, who a source said is back in Fort Lauderdale after being out of town.

Rothstein landed at Fort Lauderdale Executive Airport at 12:50 p.m., a source said.

Flight tracking records show a chartered Gulfstream V jet arrived at the airport about that time from Casablanca, Morocco. The same jet flew from Fort Lauderdale to Casablanca on Oct. 27.

At Rothstein's law firm Tuesday afternoon, police were positioned at every entrance of the Bank of America building, 400 E. Las Olas Blvd., several wearing bulletproof vests.

Rothstein's attorney, Marc Nurik, said he hasn't seen Rothstein. He said Rothstein is not going to be taken into custody.

Rothstein is not planning on attending a 4:30 p.m. court hearing in which Broward Circuit Judge Jeffrey Streitfeld could appoint a receiver for the law firm, Nurik said.

The judge also could allow the firm's co-founder Stuart Rosenfeldt to go through the firm's finances.

The accusations against Rothstein on Monday shocked the legal community.

"This is a seismic blast that has been shattering for the law firm," said Kendall Coffey, a former U.S. attorney hired to represent what now remains of the law firm.

At least six of RRA's attorneys – including Palm Beach County Commissioner Steve Abrams – have resigned from the firm's South Florida offices, along with the entire Caracas, Venezuela, branch operation, which had at least 15 lawyers.

The havoc went far beyond the 150-employee law firm that has its headquarters in an office tower.

The law firm he co-founded in 2002 filed suit against Rothstein on Monday after a frantic, tear-soaked weekend, in which colleagues came to believe that Rothstein may have misappropriated milliAt least one investor, as well as the law firm itself, has contacted the U.S. Attorney's Office. The Florida Bar is investigating.

How much money may be missing remains unclear, but Jeffrey Sonn, a securities litigation attorney hired by one investor, said it could be more than \$100 million.

The law firm has denied any wrongdoing.

As of Monday night, no one – not even Rothstein's own attorney – knew where he was, and speculation ranged from Morocco to Venezuela.

Nurik, vowed that Rothstein would be back in Fort Lauderdale as early as today after getting away to "clear his head."

News of Rothstein's disappearance, and his former colleagues' accusations, sent shock waves across the state's political landscape and was a nasty jolt for South Florida's nonprofit community, as well.

Within the past two years, Rothstein and his firm have contributed millions to political campaigns and local charities.

In that brief period, Rothstein and his law firm's name became inescapable in South Florida – including the Jumbotron scoreboard at Land Shark Stadium and billboards featuring Rothstein with former Miami Dolphins quarterback Dan Marino.

Rothstein and his wife, Kimberly, graced newspaper society pages, receiving accolades for their six-digit donations to good causes and their hosting of charitable events.

Rothstein snapped up more than \$15 million in real estate in Florida, New York City and Rhode Island last year alone and treated himself to a fleet of exotic imported cars, including a pair of 2010 Lamborghini Murcielagos, each worth about \$400,000, records show.

Rosenfeldt, RRA's president and co-founder, said Monday that he had had "no clue" about what Rothstein had been doing.

The firm's lawsuit accuses Rothstein of running a settlement funding business out of his law office and selling what may have been phony structured legal settlements to investors.

"Now that I look back, and this is very difficult for me because it was a 10-year friendship and trust, but he lied to me a lot," Rosenfeldt said. "The only reason that I am not crying is I took a Xanax," Rosenfeldt said. "I've been crying nonstop since Friday."

Rosenfeldt said the firm might not be able to make its next payroll, but that at least 50 employees told him they would stay even if they can't be paid immediately.

The law firm asked Monday that Judge Streitfeld appoint a receiver to sift through its finances, which until last week were controlled by Rothstein. Rothstein has refused to resign from the firm, the lawsuit states.

Streitfeld declined to issue an immediate ruling, asking if Rosenfeldt—rather than a receiver—might be better suited to delve into the paperwork related to seven years' worth of litigation and finances. There will be another court hearing before Streitfeld today to determine whether a receiver will be appointed.

The roster of wealthy South Florida residents who trusted their money to Rothstein remains hazy, but at least three attorneys attended Monday's court hearing on the behalf of unidentified investors.

In building the law firm from seven attorneys in 2002 to more than 70, Rothstein attracted former judges, former Broward Sheriff Ken Jenne and Abrams.

Abrams resigned from the firm Monday, saying, "As a public official, I don't want to be associated with the firm while it is undergoing an investigation." He said he had no role in the RRA's operations.

Fort Lauderdale police officials, also reacting to the allegations against Rothstein, yanked officers Monday morning from the round-the-clock detail Rothstein paid for at his home, and from off-duty details at the law firm and Bova Prime, a restaurant that Rothstein bought a stake in last year.

Some businesses that extended credit to Rothstein are nervous, said Chuck Malkus, a communications consultant who sits on the board of the nonprofit Neighbors 4 Neighbors.

Malkus attended a charitable event at Rothstein's \$6.45 million Fort Lauderdale home last Thursday, from which the attorney was absent. The rumor mill was abuzz that something was about to happen to the absent host, Malkus said.

"The most unbelievable thing is, let's realize that there is a guy who previously lived in a middle-class neighborhood in the city of Plantation, then goes to a residence in Harbor Beach in a very short period of time, accumulates the yachts, the fancy cars and jewelry," Malkus said.

"There was an illusion that was created. This has almost been a magic show in Fort Lauderdale. One big illusion."

Staff Writers Robert Nolin, Erika Pesantes and Scott Wyman contributed to this report.