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FBI: Alleged scheme by lawyer Scott Rothstein could top \$1 billion



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The investigation into Scott Rothstein, a major fundraiser for Gov. Charlie Crist, Chief Financial Officer Alex Sink and other major politicians has left candidates in the lurch and the law firm reeling.

CHARLES TRAINOR JR. / MIAMI HERALD STAFF

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BY JAY WEAVER, SCOTT HIAASEN AND AMY SHERMAN

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The alleged investment scam by Fort Lauderdale attorney Scott Rothstein could top \$1 billion, making it one of the biggest fraud cases in South Florida history, the head of the FBI in South Florida said Thursday morning at a news conference.

“When all is said and done, this scheme could well exceed one billion dollars,” said FBI Special Agent in Charge John Gillies.

He would not talk about whether others may have been involved with the Fort Lauderdale lawyer's alleged Ponzi scheme, but said "I do not believe this was a one-man show."

His remarks came as the FBI and IRS sought the help of possible victims of Rothstein's alleged scam.

They are urging investors of any kind to contact the FBI by telephone or e-mail with information about their investment, verification of that investment and other details. Agents will then pore over the information and first respond to the biggest victims -- a process that could take weeks.

Asked why the FBI had not yet arrested Rothstein, Gillies responded: "We will investigate this in a timely manner but we won't be rushed. We're far from over."

The IRS Acting Special Agent in Charge Gilbert Garza said investigators need the information from investors because federal authorities are trying to develop a list of victims to fortify their case against Rothstein.

The IRS is looking at U.S.-based and foreign bank accounts to determine where Rothstein may have money collected from investors.

"We look at every avenue and every possibility around the world," Garza said.

Investors can send an e-mail to the following address: rothstein.investment@ic.fbi.gov. They can also call 800-CALLFBI (800-225-5324).

Rothstein is suspected of stealing hundreds of millions of dollars from investors who bought legal settlements from him since 2005.

Rothstein, 47, has not yet been charged. But in a civil forfeiture of his Fort Lauderdale waterfront home and other properties, prosecutors accused him of concocting the fraudulent investment scheme, including fabricating employment-discrimination settlements sold to investors.

Rothstein also allegedly defrauded a major legal client.

When auto magnate Ed Morse faced a legal tussle with a South Florida interior decorator, Morse turned to his lawyer, Rothstein -- and got taken for a ride.

What began as a dispute over a \$2 million decorating bill for Morse's new Boca Raton and Maine homes transformed into a \$57 million scam, in which Rothstein allegedly ripped off his wealthy clients with an elaborate series of lies, delays and forged court orders, sources familiar with the matter told The Miami Herald.

Ed and Carol Morse -- who were family friends with Rothstein -- sued Boca Raton decorator Jan Jones in 2006 claiming he botched their job. Rothstein told the Morses earlier this year that they had won the breach-of-contract case and that the decorator owed them \$23 million, sources said. It wasn't true. In fact, the Morses lost the case.

Rothstein also produced purported federal court orders signed by a judge, saying the Morses could claim the judgment by seizing a Cayman Islands bank account belonging to the decorator, sources said.

There were no such court orders, nor any fat bank account, court records show.

To confiscate the money, the Fort Lauderdale lawyer allegedly told the Morses they had to post a bond 2 ½ times larger than the judgment, or \$57 million, the sources said. The large amount was required as a guarantee in case bank officials confiscated the judgment from the wrong account, Rothstein told them.

So the couple wired the \$57 million to Rothstein in installments earlier this year, the sources said. It is not clear whether Rothstein paid any of that money back.

Rothstein's attorney, Marc Nurik, and the Morses' lawyer, Norman D. Tripp, declined to comment.

Rothstein is under federal investigation for allegedly running a Ponzi scheme that defrauded investors and his law clients of hundreds of millions of dollars. Some investors filed suit Tuesday seeking to force his law firm, Rothstein Rosenfeldt Adler, into involuntary bankruptcy.

IRS and FBI agents are investigating whether Rothstein, under pressure and scrambling to pay insistent investors in recent months, might have used the Morses' millions.

Ed Morse, 88, was also a small investor in Rothstein's separate business venture now under scrutiny by federal prosecutors.

The Morse family's auto empire was founded by Ed and his father in 1946. Today the Ed Morse Automotive Group is run by Morse's son, president and CEO Edward J. "Ted" Morse, Jr., 59. The company owns 14 dealerships in Florida and Alabama. It appears Rothstein has been close to the Morse family for several years.