

Accountants closing in on where Rothstein Ponzi scheme money went

Recovery of hundreds of millions will be sought through lawsuits

The forensic accountants poring over the debris of [Scott Rothstein's](#) colossal investment fraud are nearing the end of one phase of their sleuthing — determining how much money flowed into the Ponzi scheme before its collapse last fall, and how much went back to investors.

Bankruptcy attorneys say the fraud brought in \$1.4 billion to \$1.6 billion. But not all of that money was lost.

The bankruptcy lawyers haven't put a final number on the losses, but an attorney for one of the large investors estimated half of the funds confided to Rothstein appear to have gone back to investors.

That still would mean losses in the hundreds of millions of dollars: illicit proceeds that powered Rothstein's conspicuous high living for the past five years and his downtown [Fort Lauderdale](#) law firm, now mired in bankruptcy.

Bankruptcy receivers and trustees who work to recover assets gobbled up in fraud schemes call such losses the "hole," and it's their job to fill it.

Lawsuits seek to recover money lost to Rothstein, who is to be sentenced in federal court in May. The targets of the lawsuits include banks, accounting firms, Rothstein's investors who might have profited, his former law partners, even the swindler's hard-shopping spouse, Kim.

Lawyers and accountants reconstructing the fraud are applying a simple principle: "Follow the money," said [Chuck Lichtman](#), the lawyer leading the investigative aspects of the bankruptcy case.

"Our objective is to maximize the recovery," Lichtman said.

Some of South Florida's heaviest hitters in bankruptcy law have been brought in on the case. The team at times has involved more than two dozen people from the [Berger Singerman](#) and Genovese Joblove law firms in Fort Lauderdale, and the forensic accounting firm Berkowitz Dick Pollack & Brant in Miami. They already have put in thousands of hours and are currently seeking about \$2.1 million in compensation.

A major task for this squad of lawyers and CPAs is to determine which of Rothstein's hundreds of investors made money. Asset-recovery experts say those investors likely will be forced to hand over their profits, and perhaps more — so the losses can be spread evenly among all the investors.

"[Investors] are not going to get the profits, because those profits were imaginary," said Harley Tropin, a Miami bankruptcy attorney not involved in the Rothstein case. "The goal is they all be treated equally, except for the bad guys."

The accountants and bankruptcy lawyers have a wealth of information to work with, including Rothstein's electronic records. They have e-mail chains and subpoenaed bank records, among other documents.

"You start by looking at everything that is available," said [Gary Johnson](#), a 27-year [FBI](#) agent who now runs a forensic accounting firm in Colorado. "You look at the bank accounts, you look at the brokerage statements, you look at the all the financial records, you look at the e-mails, you look at the communications."

A few factors have made the investigation easier. Rothstein didn't keep a second set of false books, and had four dozen bank accounts, rather than hundreds.

Still, plowing through documents has proved tedious because the law firm's records were in disarray.

So far, a number of clawback suits have been filed by the bankruptcy attorneys to recover money they say rightfully belongs to Rothstein's creditors.

Actions against three of Rothstein's former law partners seek to get back \$18 million paid in salary, loans and other benefits.

The lawyers want at least \$1.1 million from Kim Rothstein, most for shopping purchases she made with a credit card funded by the law firm.

The accountants have identified \$24 million in loans to Rothstein's employees, friends and business associates.

The lawyers have sent out more than 100 letters demanding repayment of investment money, according to court records, and they expect to recover hundreds of millions of dollars through litigation.

Lead bankruptcy attorney [Paul Singerman](#) said the bulk of the forensic accounting chores will be done in about two weeks, and then more letters demanding repayment will be issued.

"We will give all principal litigation targets the opportunity to engage in good-faith settlement negotiations before we file suit," Singerman said.

In the end, there won't be any winners, even among people Rothstein tried to help after he fled to [Morocco](#) last October. In two weeks, Rothstein tried to pay back \$12 million to a small number of investors before his trust accounts were empty, a Sun Sentinel analysis has shown.

Most of that, almost \$9 million, went to four people: Fort Lauderdale hotelier Shimon Levy; his son Ovadia Levy; Daniel Minkowitz, Ovadia Levy's business partner in Renato Watches; and Michael Szafranski, a financial adviser who was supposed to verify that the legal settlements Rothstein was selling to investors were legitimate. The clawback suit filed against Szafranski seeks \$33 million.

William Salim, an attorney for the Levys, said in a statement that the payments Rothstein made after flying to Morocco were not honored by the banks. He said the Levys were victims of the fraud and "their collective losses are in the many, many millions."

"The Levy family has been emotionally and financially devastated by the Rothstein Ponzi scheme," Salim said. "Their relationship with Scott Rothstein has cost them their life savings, not to mention the personal and business turmoil that they now find themselves in."

Fort Lauderdale businessman George Levin formed a number of entities under the name Banyon that invested \$775 million with Rothstein, according to bankruptcy records. Those entities were paid \$43 million in the final three months, the Sun Sentinel analysis showed. A spokesman for Levin, Jesse Derris, would not say how much Levin received back, but said he was a net loser.

"His friends, his family and even his mother were tied up in these investments, and he personally guaranteed many of those," Derris said. "I think it's safe to say George is on the hook for a lot more money than anyone else in Rothstein's scheme."

The accountants also are trying to determine exactly what Rothstein bought with his Ponzi scheme money and whether any cash was transferred offshore. One Swiss bank account already has been identified in court records.

If Rothstein stashed cash overseas, Lichtman said he is confident it will be found.

"I think when it gets to the point of having to trace internationally, we will have great success," he said. "No stone will be left unturned."

Database Editor John Maines contributed to this report.

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