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Judge Freezes Assets of Rothstein Financial Adviser

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A Fort Lauderdale, Fla., bankruptcy judge on Thursday froze up to \$33 million in assets held at one time by a financial adviser with ties to [convicted Ponzi schemer Scott Rothstein](#).

U.S. Judge Raymond Ray approved the request from attorneys for Herbert Stettin, bankruptcy trustee for Rothstein's defunct law firm, for a [preliminary injunction against Michael Szafranski](#) and his wife, Elana Strum. The Bay Harbor Islands adviser allegedly acted as the independent verifier for Rothstein's phony settlements at the heart of his \$1.2 billion fraud.

Szafranski's attorney, Chris Berga of [Lydecker Lee Berga & de Zayas](#) in Miami, argued against the injunction, saying he had only a day or so to respond to the trustee's emergency motion. He also said he wanted to call Stettin to testify and asked for a continuance.

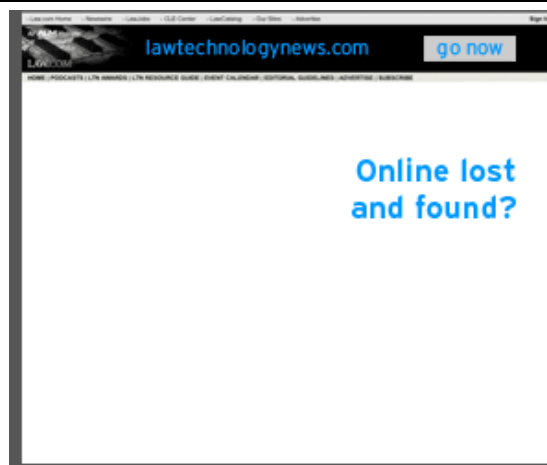
"We've had 24 hours to review the documents," Berga said. "That's not much time for such a drastic remedy."

Berga also objected to entering e-mail exchanged by Szafranski and Rothstein as evidence, saying the records could not be authenticated.

John Genovese of [Genovese Joblove & Battista](#), one of Stettin's attorneys, requested the injunction in a motion alleging \$33 million was transferred from Rothstein Rosenfeldt Adler to Szafranski in a seven-month period, including \$23 million within 90 days of the Fort Lauderdale law firm's collapse. The motion also noted Strum bought a \$1.5 million Bay Harbor Islands house in her name last Sept. 29. Rothstein's fraud collapsed a month later.

"Szafranski may in fact be dissipating looted funds in retaining various attorneys to represent him in the multiple legal proceedings resulting from his direct involvement in Rothstein's Ponzi scheme," the motion stated.

Rothstein is the only one to face criminal charges to date, but federal prosecutors have said the investigation continues.



Joel Glick, Genovese's forensic accountant, testified Thursday about RRA's unusual financial record-keeping.

"There was a different set of books for each bank," he said. "There were 11 different ... books. Could I have a balance sheet or income statement by pushing a button? No."

Genovese is seeking to recover money that moved from the law firm to Szafranski to repay investors who lost money in the Ponzi scheme.

Ray sided with Genovese, saying, "a crime was committed. Transfers were made to the defendants. That's not in dispute. Only the defendant knows what happened to all that money ... but you can't change the underlying issue."

The injunction means Szafranski and his relatives cannot sell the new family home or liquidate other assets, Genovese said.

After Ray's ruling, Berga asked that a mediator be appointed.

Noting Szafranski repeatedly invoked his Fifth Amendment during his deposition by Stettin's lawyers, Ray said wryly, "When you take the Fifth Amendment, it's a little hard to start settlement talks."

Genovese said he was willing to enter mediation but declined to say how much he would settle for.

On another front, U.S. District Judge James Cohn, who is handling Rothstein's criminal case, issued a scathing order Tuesday chastising prosecutors for failing to file a preliminary forfeiture order stating whether the government would seek forfeiture of the estimated \$60 million to \$100 million in property and goods seized from Rothstein. The judge gave the government until today to submit the order or "be barred from seeking an order of forfeiture."

The government has violated federal rules by waiting more than three months since Rothstein's guilty plea without a filing, the judge wrote.

The bankruptcy trustee, investor attorneys and others have been growing impatient waiting to see what property prosecutors intend to claim as part of the criminal case.

"In spite of the government's refusal to submit a preliminary order of forfeiture, the government has repeatedly used the forfeiture statutes to prevent third parties such as the Chapter 11 trustee from intervening and asserting their rights to RRA bank accounts subject to the protective order" freezing Rothstein's assets, the judge wrote. "Not only has the government's delay in deciding whether to pursue forfeiture been a burden on the Chapter 11 trustee, it has also made it difficult for this court to carry out its mandated role in forfeiture proceedings."

Paul Singerman of Berger Singerman, who also represents the bankruptcy trustee, applauded Cohn's strong words.

"We've been urging the court to order the government to do that, and we've been pointing out that the rights of third parties are being prejudiced until the government files its order or announces it is not going to proceed," he said.

Singerman said he has received calls from bankruptcy lawyers involved in Ponzi cases around the country who were encouraged by the order.

Alicia Valle, spokeswoman for the U.S. Attorney's Office, declined comment, citing ongoing litigation.