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November 23, 2009 8:32 PM

Rothstein Roundup: Angry Investors Want to Hear What Scotty Knows

Posted by Brian Baxter

Scott Rothstein's world just got a little bit more complicated.

The disgraced Fort Lauderdale lawyer-turned-Ponzi-scheme-suspect has been hit with a civil suit by out-of-pocket investors burned when his complex settlement business [crumbled earlier this month](#).

Sibling publication the [Daily Business Review reports](#) that Rothstein, the founder of now defunct 70-lawyer firm [Rothstein Rosenfeldt Adler](#), was sued in Broward County Circuit Court on Friday by investors claiming more than \$100 million in losses in a massive Ponzi scheme.

The suit filed by William Scherer, founding partner of Fort Lauderdale's [Conrad & Scherer](#), accuses Rothstein of orchestrating the Ponzi scheme with the help of [several accomplices and the U.S. subsidiary of a Canadian bank](#).

According to the [147-page complaint](#), Rothstein used fake legal documents to convince investors that RRA was involved in handling confidential settlements with [billionaire money manager](#) and [convicted sex offender](#) Jeffrey Epstein. Epstein has been [sued by several of his former victims](#), who accuse him of [child](#)

[molestation and assault](#) as they seek millions in damages.

While Rothstein didn't have stakes in those settlements, the DBR reports he used flight records and other documents seized from Epstein to make investors believe that his investigative team at RRA had found more victims waiting in the wings to file their own suits against the [reclusive billionaire](#).

Scherer claims Rothstein sought to disguise the fact he didn't have evidence of further illicit conduct committed by Epstein through promises of multimillion-dollar payouts in the fictitious cases. The DBR reports that Rothstein promised at least one investor a \$12 million investment in a sexual harassment case that would produce an \$18 million payout.

The investors include some of [South Florida's wealthiest individuals](#). Nearly all of Scherer's clients are linked to Fort Lauderdale businessman Doug Von Allmen, who recently put his [New York condo on the market for \\$18.45 million](#).

Von Allmen-related entities have sunk more than \$100 million into Rothstein's scheme through Banyon Investments, a Fort Lauderdale-based investment firm founded by 69-year-old George Levin. [The South Florida Business Journal reports](#) that Levin is thought to be the largest investor affected so far in the fraud with an estimated \$300 million in losses. Banyon has retained [Kobre & Kim's](#) Matthew Menchel to pursue possible civil claims.

Scherer's suit claims that a Banyon employee named Frank Prevé worked out of RRA's offices [where he served as a feeder for new investors like Von Allmen](#), convincing them to sink millions into Rothstein's scheme. (The \$12 million return-on-investment promised above was cited in an [e-mail from Prevé to A.J. DiScala](#), who runs a hedge fund called Clockwork Capital and was once married to actress Jamie-Lynn Sigler of Sopranos fame.)

Rothstein's alleged accomplices at RRA included general counsel David Boden, COO Debra Villegas, and corporate officer Andrew Barnett. Scherer's suit also names three employees of TD Bank, a subsidiary of Canada's Toronto-Dominion Bank, with aiding Rothstein. Senior vice president of operations Frank Spinosa, assistant manager Jennifer Kerstetter, and assistant vice president and branch manager Rosanne Caretsky, [the Sun-Sentinel reports](#), are accused of meeting with investors and providing them with letters stating where to deposit settlement proceeds, thus legitimizing Rothstein's scheme.

A TD Bank spokesman responded to The Am Law Daily's request for comment via e-mail and noted that [Greenberg Traurig](#) partner Glenn Goldstein, comanaging partner of the firm's Fort Lauderdale office, is working with in-house counsel on the matter. Goldstein did not respond to an interview request.

According to the DBR, Scherer did not name RRA in his suit, which will likely help to keep it in state court and out of bankruptcy proceedings for the firm. [The Miami Herald reports](#) that court filings by federal prosecutors on Monday revealed that Rothstein had to tap profits from his investment scam to pay the bills at RRA.

The firm generated revenues of \$8 million in one year, yet had a payroll of \$18 million, prosecutors disclosed in an amended forfeiture complaint against an array of Rothstein assets. [According to The Associated Press](#), some of the goodies seized were an 87-foot yacht, a \$20,000 guitar collection, three accounts at Morocco's Banque Populaire totaling \$15 million, and a fleet of 20 automobiles, including a [2009 Bugatti Veyron](#).

Last week Rothstein [agreed to surrender his law license](#) and a Fort Lauderdale hospital said it would return a \$1 million donation from Rothstein to help out-of-pocket investors.

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