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Ponzi fallout hits TD Bank, Greenberg Traurig, Kim Rothstein

 Premium content from South Florida Business Journal by Paul Brinkmann, Reporter
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Nina and David Mandel represented Coquina Investments in a \$67 million federal lawsuit.

The past year saw the third anniversary of the discovery of **Scott Rothstein's** Ponzi scheme, which continued to generate legal action and scandal. The most notable fallout landed on **TD Bank**, Rothstein's biggest bank, which was hit with at least \$237 million in damages related to its handling of his bank accounts.

The year also saw Rothstein's wife, Kim Rothstein, charged along with four others in a conspiracy to sell or cover up the sale of diamonds bought with Ponzi money.

In January, a jury awarded \$67 million to a Texas-based Coquina Investments in a federal lawsuit where TD Bank was

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sanctioned for violations of evidence production protocols.

Following the verdict, the bank (NYSE: TD) said it had set aside \$255 million for a litigation reserve.

U.S. District Judge [Marcia G. Cooke](#) ended up ruling, as a sanction, that TD Bank knew about Rothstein's fraud and willfully violated evidence production rules in the case. The bank's law firm, Greenberg Traurig, was also sanctioned for participating in the production of flawed evidence, but Cooke said she could not find the law firm's conduct to be willful.

Then, in the biggest settlement in the litigation so far, TD Bank agreed to pay \$170 million to a group of plaintiffs who lost money in the scheme, led by Fort Lauderdale venture capitalist [Doug Von Allmen](#).

Another of Rothstein's favorite banks, Gibraltar Private Bank & Trust, also paid to settle Ponzi-related lawsuits, and founder and Chairman [Steven Hayworth](#) left the bank.

A big winner in the litigation was Fort Lauderdale attorney [William Scherer](#), who was a friend of Rothstein's, making a \$50 million fee on the settlement.

In September, two of Rothstein's former law partners were in court, stemming from their time at [Rothstein Rosenfeldt Adler](#). Attorney [Steve Lippman](#) was sentenced to three years in jail for check-kiting and other offenses, while a Palm Beach County circuit judge recommended that attorney [Russell Adler](#) be suspended for 30 days on alleged violations of Florida Bar rules from 2009.

The year ended with Scherer filing two more big lawsuits against TD Bank, alleging that the bank tried to cover up its involvement.

TD Bank spokeswoman [Rebecca Acevedo](#) said the bank would continue to defend itself vigorously in Rothstein-related litigation.

[Herbert Stettin](#), the court-appointed trustee overseeing RRA's bankruptcy, was tracking the most valuable diamond connected to Rothstein's fraud: an 8.91-carat, unmounted gem worth almost \$700,000. Two jewelers entered into settlements with the trustee over claims in the bankruptcy.

Paul Brinkmann covers law, accounting, automotive, energy and environmental issues.

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