

Investment Manager Pleads Guilty To Aiding Rothstein Scheme

Law360, Miami (August 19, 2014, 3:02 PM ET) -- An investment manager who worked for feeder funds that helped fuel Scott Rothstein's \$1.2 billion Ponzi scheme pled guilty Tuesday to conspiracy to commit wire fraud for his role in the scheme.

Frank Preve, who worked as an independent contractor for feeder fund Banyon Capital LLC and other related Banyon entities pled guilty to the **one-count information** that claims he should have known that Rothstein's firm, Rothstein Rosenfeldt Adler PA, was sending the feeder funds documents for sham legal settlements.

Preve faces up to five years in prison and three years of probation, and could be hit with a fine of up to \$250,000, according to the plea agreement. He is set to be sentenced Dec. 12.

Prosecutors say that Preve was aware that RRA "was not providing the Banyon Group with fully executed settlement packages" and that an independent third party was not verifying the settlements as required.

In July, when the information was filed, Preve's attorney Ramon Rasco of **Podhurst Orseck PA** called the information "a watered-down version of the allegations that have been made against him in the past in civil lawsuits" and said that his client has been cooperating with both the government and investors.

On Tuesday, Rasco reiterated that his client had no knowledge of the Ponzi scheme.

"The plea agreement and factual stipulation entered today do not state that Mr. Preve had any knowledge of or involvement in Rothstein's Ponzi scheme," Rasco said. "The one count of wire fraud is based upon Mr. Preve's failure to disclose certain facts to investors."

The U.S. **Securities and Exchange Commission** also **has accused Preve** of raising funds from investors by selling unregistered securities based on Rothstein's sham legal settlements, which their investment literature purported to have verified.

Rothstein, who is serving a 50-year prison sentence, ran the \$1.2 billion fraud scheme by selling shares in sham legal settlements.

In July 2013, U.S. Bankruptcy Judge Raymond B. Ray **approved** RRA trustee Herbert Stettin's liquidation plan for the firm, which centered around a \$72 million deal between the estate and **TD Bank**, which Rothstein testified played an integral role in the scheme by helping create false bank statements designed to fool his victims.

In April, Stettin **settled** with Preve for \$471,000, a far cry from the \$5 million in alleged fraudulent transfers that the trustee had initially sought to recover. Under the terms of the deal, Preve agreed to hand over the title to a \$350,000 house in Cape Coral, Florida, a \$56,000 time share in St. Thomas, and \$65,000 in cash to the RRA trust.

The government is represented by Assistant U.S. Attorneys Jeffrey N. Kaplan, Paul F. Schwartz and Lawrence D. LaVecchio.

Preve is represented by Ramon A. Rasco of Podhurst Orseck PA.

The case is U.S. v. Preve, case number 0:14-cr-60159, in the U.S. District Court for the Southern District of Florida.