

Chuck Malkus
Author & Executive Producer
KSGFOA Keynote

Video 4-minute sizzle of this keynote will be posted at www.chuckmalkus.com

Good morning,

You've made a choice to start the day early and attend this conference -- which is a sign of your commitment towards good citizenship, strong values and ethical leadership.

When you put forth extra action steps to protect your organization, stakeholders, and your community – the result could be receiving a phone call.

When the phone rings, perhaps the caller is your direct report who wishes to schedule a meeting, possibly to discuss a raise.

Or, maybe, on the other line of your phone – it just happens to be an unexpected caller – someone who you don't know.

Which was exactly the case for a lady by the name of Stephanie Toothaker.

Stephanie, a mom with a young son, was working in her law office when her caller was a recruiter – a headhunter representing a large organization which had an attractive position that paid very well.

She accepted an appointment – went to the interview and before she could blink, There was an offer that doubled her salary. Stephanie expressed she would need to speak with her husband and reconnect.

Whoa, she thought to herself, this is almost too good to be true. So that afternoon, as a result of her values and being a community volunteer, Stephanie made a few phone calls to fellow non-profit board members. She asked about the organization. Problem was, no one really knew much of anything about this large law firm. And, the revenues associated with this large law firm were unknown.

After a restless night, Stephanie chose to decline the high-paying job. Her decision would save her career; her reputation and impacts to her family.

Later, her attractive offer – that came from Scott Rothstein turned out to be part of a 1.4 Billion Ponzi scheme. Our country's fourth largest Ponzi by size and Number One by co-conspirators – a total of 30.

It is important to point out Scott Rothstein delivered his illegal acts from the heart of three financial districts, Miami; West Palm Beach and Fort Lauderdale. His law firm headquarters

were on the same street as my office in Lauderdale where I had a bird's eye view of his shenanigans. And later this morning, I'll cover how my personal radar went into high alert.

Let's go back first to where this all began. Scott Rothstein grew up in the Bronx, where he was influenced by a couple of adults. It was an uncle who gave him a glimpse of a darker, yet more glamorous side of life. An impressionable Scott became fascinated when he'd watch from a rooftop and see his uncle beat people up for things such as not paying gambling debts.

The Rothstein family moved to South Florida when he was 14 – and Scott made a name for himself in a high school choir and Barbershop Quartet. However, these efforts didn't result in being popular enough to land a date for senior prom.

So, Rothstein decided to become a big-shot attorney.

During his first year of law school, he took on the personality of a macho tough guy, an early version of the mafia persona he'd later become at his own law firm.

At an Upper Class law school competition, his performance was stellar and resulted in landing a job at a medium-sized law firm in the small town of Hollywood, FL.

It was there, we would later learn, that Rothstein pulled off his first criminal act when he devised a scheme to steal money from clients after winning a mega sexual-harassment case. His first con was not to inform victims, saying that their cases were far from over. He pocketed seven-figure settlements for himself and used them to grow his own law firm/Ponzi.

As part of his plan to make a splash in South Florida, he began recruiting an all-star team of attorneys – primarily because he didn't have a name or reputation.

Rothstein began building his Ponzi scheme by creating cases relating to sex discrimination, sexual harassment and whistle-blower settlements – which did not exist. He used the term “structured settlement” to describe cases he claimed involved billionaires including Jeffrey Epstein.

Surprisingly, sophisticated investors fell for this scheme by investing their hard-earned money towards non-existent settlements. Improbable returns would range from 20% to 25% over time.

How could highly successful investors be duped?

- 1) They didn't ask enough questions.
- 2) The investors chose to ignore red flags.
- 3) In almost every decision, they didn't take the time to pay attention to important details.

Unlike the Bernie Madoff case, where he stayed under the radar and conducted his Ponzi by offering established investment strategies – Scott Rothstein took the highly unusual approach of

placing himself everywhere – putting on a show where he was center stage. Rothstein purchased a night club, a restaurant and drove around in Bugatti sports cars, the most expensive vehicles money can buy. I'll admit that prior to Rothstein's escapades, I didn't know what a Bugatti was, let alone cars being sold for two million dollars each.

While Madoff targeted investors at Country Clubs and investment conferences, Rothstein placed his law firm, and himself, with major sponsorships for the Miami Dolphins; the Miami Heat basketball team and Florida Panthers hockey team. The name of his law firm, Rothstein, Rosenfeldt and Adler could be heard blaring at the sports venues including Dolphins games, where an eerie silence was left by other attorneys from other law firms and then buzz such as:

“Where is all of Rothstein's money coming from?”

Then, a day arrived when I was personally stunned and left speechless. I was in a conference room at a charity board of director meeting for Neighbors 4 Neighbors. Our meeting began with an announcement from our executive director, Lynn Cameron. She expressed,

“There is a law firm interested in becoming the Neighbors presenting sponsor with a donation of \$200,000. “It is the highly successful firm of Rothstein, Rosenfeldt and Adler.”

“Whoaa ... wait a minute...” was my response. Before we vote on this, we absolutely need to hear from Mr. Rothstein at our meeting next month. I have a couple of questions to ask before we enter into a partnership. Just like other potential partners who come in and make their corporate presentations.”

Our board was told that Mr. Rothstein was very busy and unable to attend our meeting.

My response, “OK, we will hold our meeting at this office. This way, he could attend and meet with us personally.”

The reason for his interest, and potentially to agree for a meeting, was because our charity Neighbors is sponsored with TV airtime on the CBS affiliated station, CBS 4, in addition to the Miami Herald and a News Radio Station.

For the television exposure, do you think he'd agree to meet in person?

Well, no, he would not. Perhaps because one of our board members was an attorney. Certainly, he would have some questions. If you wish to ensure your organization maintains high values, make sure an attorney is a phone call away.

Sadly, other non-profit organizations took Rothsteins's money. Two dozen organizations, including small organizations such as the Boys & Girls Club, would receive claw back notices from the Feds. This is what happens when bankruptcy trustees seek the return of funds which are result of stolen money.

Rothstein had a bigger plan with these large sponsorships. But, first, he felt there was one missing piece of his puzzle -- to achieve appearing legitimate. He needed to have a wife, primarily for photos at all of his sponsored charity events.

Where would he find love?

For those of you thinking about a bar, you would be correct.

But not just a bar visitor, Rothstein found himself a bartender with a unique skill set, to put it mildly. Turns out his soon-to-be-wife Kim was also a dancer at a popular adult entertainment club.

After a speedy engagement, the two married at the ultra-luxurious Versace Mansion on South Beach in Miami. Guests included elected officials and Kim's girl friends from the adult entertainment club. The wedding costs were over one million dollars.

One of Kim's dancer friends shared, "Kim, you've hit the jackpot."

In addition to newlywed Kim's platinum credit cards and numerous spending sprees, the couple catapulted their public profile with purchased-fame achieved that exceeded even Miami standards. They soon were seen on the cover of social magazines, including Las Olas Lifestyle. They were recognized at dozens of charity fund raisers, more sponsorships of these events than anyone could image.

An infamous night at the Florida Panthers hockey arena, was when the Eagles band was playing to a full-capacity crowd.

What happened in the middle of the concert has been told and retold by newspapers including The Wall Street Journal and Miami Herald. Singer Don Henley stood on stage and announced:

"I normally don't do this, but this next song goes out to Scott and Kimmie on their one-year anniversary."

People in the audience who knew of Rothstein looked at each other and scratched their heads, wondering how Scott pulled that off.

For Rothstein, it was simple, he did it with a \$100,000 check to one of Henley's environmental charities. The band then launched into their hit song, "Life In The Fast Lane." Later, Don Henley's charity was also hit by a claw back. And the singer's reputation also took a hit.

Unlike Bernie Madoff, Scott Rothstein went out of his way to make an impression, whether it was over the top or just simply bizarre.

Remarkably, there was plenty of rumors about Scott Rothstein's ties to the mob. Later, we would learn that those rumors were in fact true. And with mobsters, or anyone who doesn't play by the book, you must be careful.

Sometimes in life, when you least expect something to happen, due to oversights by others, alarms may sound.

Every year for a decade, I've personally attended an event associated with National Philanthropy Day. These fund raisers help non-profits across the country and are attended mostly by charity workers, volunteers and board members. A jazz band welcomes each luncheon guest and this year was again sold out with 900 attendees.

My wife Sandra and I sat at the Neighbors 4 Neighbors table and we discussed preparations for the upcoming Hurricane Season. After lunch was served, there were a few awards for civic engagements which were making a difference due to volunteerism.

Then, the jazz band stopped playing and we heard a drum roll. The master of ceremonies had everyone's attention and he expressed, "It's time for this year's Philanthropist of The Year."

"Please join me by thanking Scott Rothstein for his efforts!"

I literally almost fell out of my chair. I was shocked, dismayed and couldn't believe what I was witnessing. How could this guy, who has never, and I mean never, provided volunteerism, let alone sit in a charity board room, be the philanthropist of the year?

I didn't know what to say to our table of volunteers, other to express ... "This story is far from being over." Our executive director Lynne Cameron then said, this will be a day to be remembered.

While Scott Rothstein continued to bask in the lights of cameras and dress in outlandish suits, other attorneys took notice of where he WAS NOT seen.

At the beginning of the 2008 recession, a large law firm, directly across the street from Rothstein, Rosenfeldt and Adler, was holding a monthly partners meeting was taking place. A dozen attorneys sat around a large conference table and just before the meeting began, one said, "Whatever they are doing across the street at Rothstein's firm, we should be doing."

A few of the partners nodded their heads, yes. Then, the chairman stated in a stern voice –

"Hold on for a moment. With all of our law practices around the table, we have cases where on the other side, just about every large firm in the tri-county area is up against us.

"Let's see a show of hands on how many cases we have where Rothstein's firm is opposing counsel?"

The room became silent, every head turned and looked for a raised hand. There were none. Zero.

The chairman stated, "Whatever they are doing, they're not practicing law. And we are a values-based firm.

The one place everyone did see Scott Rothstein was his restaurant, Bova, on the first floor of a large Bank office building, where he had two floors of offices above. There was an open restaurant patio in front of a glamorous dining room.

Almost every day at lunch, Rothstein could be seen drinking his favorite martinis, along with associates and in some cases, investors. I know since this bank building is where I went to make deposits from my company's morning mail. And, even if someone went to the bank at 3 pm or 4 pm in the afternoon, Rothstein could be seen there slamming martinis.

Which takes us to the week before Halloween, 2009. I'm working at my office and an invitation arrives for an event with the South Florida Business Journal's Annual Gift Giving Guide, saluting charitable efforts and volunteers. I open the envelope to discover that this year's celebration was being held on Harbor Beach, at the home of – Scott and Kim Rothstein.

I was stunned.

I then immediately called my wife Sandra to say next Thursday night, we have an event to attend. She pauses for a moment and says:

“You're forgetting that we already have tickets for a charity arts event South Miami. It's the Thursday before Halloween.”

My response, was, “My lovely wife, we must cancel and clear our calendars. There's an event at Scott Rothstein's House.”

She still hesitated before stating, “But we have family in town and they're looking forward to attending. We have to support the arts.”

My response was, “Honey, you don't understand, there's something going down soon with Rothstein and we must be at that house.”

She said, “we'll talk about it when you get home tonight.”

I began dialing the phone to confirm the latest buzz I had heard about Rothstein. First, vendors at his fancy restaurant we're owed money and it was on a cash-only purchase arrangement. Second, for the first time, attorneys expense reports were not being paid. And, a charity was owed a check for a large sponsorship of an event that took place two months ago.

My research paid off when my wife agreed to that we should be at Rothstein's house. For us, it would be a first time to visit his mansion, which had gold toilet seats, literally.

When we arrived that night, Rothstein had on display in the front of his house, a total of six luxury cars he owned, including two Bugatis worth over \$4 million dollars; in addition to Maseratis, and a Rolls Royce. Why someone would need to own six luxury cars, I'll never know. But this did put on a car show, that's for sure.

Upon entering the mansion, we were greeted with glasses of champagne and o'dourves of fresh shrimp and smoked salmon. On the waterfront behind the house, was a huge yacht, Princess Kimberly.

A jazz band played, and it was a spectacular scene. There was only one rather large item missing Scott Rothstein. He couldn't be found and he never misses a party. As the evening went on, jokes began with guests suggesting they saw him earlier on a larger yacht. Another joke was they saw him, but, a helicopter picked him up.

The questions continued, "Where's Scott?"

We would learn a few days later that Scott Rothstein had taken off on a lear jet to Morocco – an escape flight after his Ponzi scheme began running out of money. Not surprisingly, he had wired \$18 million to a Morocco bank and could live quite comfortably for the rest of his life since the country doesn't have an extradition agreement with the U.S.

His biggest mistake?

He had left his beloved parents behind. And they had become the subject of calls to his cellular phone from embarrassed mobsters who he had stolen millions from.

After spending a couple of days in a country he was safe from U.S. federal agents, he faced the fear of his parents ending up in hands of the Sicilian Mafi or Israeli Mob. He had no choice but to return on a chartered jet and give the Mobs their money back.

Scott, being Scott Rothstein, was prepared to execute his Plan B. he would cooperate with the feds to flip on 30 co-conspirators, to receive a light sentence. Plus, on his flight back, he conceived a second potential cooperation with the FBI to "set up a sting" and take down at least three mobsters.

He would wear a wire and discuss destroying records and money laundering, which would lead to bringing down a violent Sicilian mob family. This time, his scheme worked without a hitch and both Italian authorities and the FBI acknowledged that Rothstein was responsible for placing three mobsters in jail.

When it came time for him to face the music, Rothstein could be hit with 100 years of prison time. However, due to his cooperation, his sentence was reduced to 50 years. There was one big stipulation – he had to be 100 percent truthful about where all of his assets were located.

I was among many people who believed that Rothstein didn't have an honest bone in his body.

Additionally, as word spread about how the two hospitals had to return a total of two million dollars, many stunned observers, including myself, wondered if justice would be done.

Then, when the smaller charities such as the Boys & Girls Clubs, which had already spent their six-figure donations, were forced to lay off employees, well it was time to make sure no stone was left unturned with every individual associated with these crimes.

My gut feeling told me two things:

First, there was more to this story. Second, I might as well as put my degree in journalism and media to work and write a book.

I began my research by speaking with three law enforcement officers, current and retired.

The first officer told me, "If you are going to write a book, do it as fiction because there are so many bad attorneys involved. More than anyone knows."

The second officer said, "Don't write anything because this guy is attached to several mobsters."

And a third, asked, "Do you have a good house alarm and Guard Dog?"

We didn't have a dog, but immediately adopted Troy, a Belgian Malinois Shepherd rescue. Next, hired a dog trainer to help my wife and I be as alert about Troy -- as much as he was protecting us.

I then went to my weekly civic meetings and before each one started, announced that I had a brief announcement:

I'm writing the book on Scott Rothstein. If you have something to share, or by chance, see Kim Rothstein, call my cellular.

In less than two weeks, I'm driving to a luncheon meeting on 17th Street Causeway and running a few minutes late. Suddenly, my cell rings and the caller almost whispers, "I'm at the sub shop on 17th and Kim is here with her body uard next door at the jewelry store."

"I respond, I'm 3 blocks away -- Go inside and act like a customer." I hit my car's gas pedal, went through a yellow traffic light and quickly parked.

Upon entering the jewelry store, on a Friday afternoon, my friend was third in line for the counter. An elderly couple was speaking to the jeweler, behind them was Kim Rothstein and her body uard Joe Alu, followed by my friend.

As the elderly couple stepped aside to wait for a repair, Kim opens a satchel, placing 10 very expensive men's watches on the counter. The senior man gasped. The senior lady stood with her mouth wide open after viewing the six-figure watches.

Kim says to the jeweler, "I just need to resize each of these so they will serve as women's watches."

Watch maker nods his head and says, “sure, we’ll have them ready in five days.’

The senior male customer smiles and says, “Wow, those are some spectacular watches.”

Kim and her bodyguard turned around and came face-to-face with me and my friend.

I smiled, and said, Hi Kim, good to see you again. I’m Chuck Malkus, the author who has texted for a meeting.

Kim responds, “Yea, I’ve been busy with attorneys and ya know, I can’t really go anywhere, not even here to get batteries for my watches.”

Kim Rothstein was convicted of holding onto jewelry and lying to the feds about it. She was in jail for more than a year and now sells used cars. Her husband, the infamous Scott Rothstein, in addition to his numerous crimes, wasn’t honest with the Feds either. He is now serving a 50 prison sentence.

One of the happier endings to this story is, due in part to onlookers paying attention and being alert – every investor of the Ponzi received 100 percent of their money back. For the first time in history with any Ponzi, those who put money in got it back. In several cases, the investors made donations to the charities who were impacted, and every organization recovered as well.

Today, the promising attorney, Stephanie Toothtaker leads a law firm and has become highly successful as a result of her values and community spirit.

Stephanie’s Commitment of Living Honorably has generated Waves of Success. What else have we learned?

- When something doesn’t feel right, Avoid Red Flags by Sharing.
- Community Involvement protects your interests & Improves an organization’s culture.
- Volunteerism results in unexpected returns, personally and professionally.

Connecting

Good citizenship may become a meaningful part of your life by dedicating a couple of hours one time a year. If you choose to provide more volunteerism, great.

I’ll share how connecting for a visit to share your experiences towards education for teenagers may result in dreams achieved.

I’ve made a point of returning to my former Miami high school at least once a year to connect with students at events such as career day. Delivering inspiration for a period of two hours once a year has been rewarding.

It has also led me to connecting with a former classmate, Scott Rivas. He is a Florida State University grad, who upon graduation, moved to the fast-growing City of Houston, Texas. Once there, he became a police officer.

Due to volunteerism in his community, he connected with an FBI agent which eventually led to Scott joining the Federal Bureau of Investigation as a new agent. After 10 years in Houston, Scott returned to Miami to serve as a special agent in charge. Upon retiring, he opened his own investigative agency which, by coincidence, was located near my office.

One day, Scott called me at the office and offered a ride to another high school event. I agreed and we drove down to Miami together. It was also a chance to ask a burning question:

“What was one of your most interesting cases?”

Scott answered by sharing a dangerous case in Houston which was highly difficult to solve.

I responded by saying, “Wasn’t there an FBI case of yours in Miami which was unusual?”

Scott, paused for a moment and then said, well there was this airport case, but it wasn’t dangerous.

I said... Put aside danger, what happened.

Scott went on to explain that every Sunday afternoon, a Lufthansa airplane from Germany arrives with \$90 million or more for the federal reserve. One Sunday in the fall, he’s attending a Miami Dolphins football game and he gets a call from the FBI about an airport robbery. Without having taken a sip of beer he was holding, he asks, can’t the County PD handle this?

No, the dispatcher says, we’re talking about 10 million dollars. Scott had to put down his beer, which he hadn’t sipped yet, and leave for the airport.

Upon arriving, there sitting in an open air warehouse – doors completely open, lies \$80 million dollars on pallets in plastic bags. In a large fenced-in corner of the warehouse, with a locked door, there are tens of thousands of roses from the country of Colombia. They had to be in the shaded area of the warehouse to avoid any sunshine and were safely secured.

Scott’s first question: “Why are all the doors open?”

Well, the air conditioning hasn’t been working for two months.

His second question: “How many cameras are there?”

Well, a total of 15 but they haven’t had working batteries for three months.

His Final request: “Let me speak first with the armed guards.”

Response: “Sir, there are no armed guards, as a cost saving measure our guards are unarmed.”

Scott replies, “90 million dollars, no air conditioning, no armed guards, no working cameras and more than 20 thousand roses in a locked cage?”

All of this took place in 2005 and is our largest airport theft – bigger than the Goodfellas heist at JFK Airport.

The thieves were a half dozen first-time criminals who learned how to pull off their airport heist by watching TV crime shows such as FBI Files and CSI Miami. Scott’s FBI team had their work cut out for them and after a period of three months, finally made all the arrests.

His case is the basis for the Netflix Heist documentary and two episodes titled, THE MONEY PLANE.

Since I made the decision to drive with Scott for a career day, this led to an opportunity to write a TV treatment and serve as an executive producer for the Heist series. If I had not volunteered for the two-hour effort, this remarkable story would not be airing on TV and I wouldn’t be an executive producer.

There are three things to be learned from this experience:

- First, cutting corners by not providing small efforts for battery replacements and AC repair simply doesn’t make common sense. Not sharing with a direct report will result in job losses.
- By not taking proper steps to protect an organization’s assets with regular monitoring can result in huge losses.
- Third, anytime a friend asks to join volunteering for a couple of hours, let my phone ring.

Citizenship

Prior to the Money Plane, I was a volunteer for the Fort Lauderdale Jaycees in 1992. One day, as a young Broward County employee, when the devastating Hurricane Andrew hit, I did not answer my cellular phone. I had been at a late-night party, titled, “Avoid the Hurricane” and we watched live TV reports into the morning hours.

Later, in the mid-morning hours, for some reason, my phone kept ringing and ringing. So, I finally answered the call.

The unexpected caller was with the local CBS Television station and they wanted a recommendation of a non-profit organization to help launch a Hurricane Andrew relief and rebuilding effort.

I’ll admit I was half-a-sleep and I responded, well, what do you need?

Their interest was a building location in the city of Fort Lauderdale, which was not devastated – to be a command center to help over 200,000 families with damaged homes. I said, “How many families?”

“200,000.”

“And our goal is to receiving food and clothing donations from throughout the state generated from interested CBS TV viewers from the Southeast U.S.

“Well, let me think for a minute, how about the Fort Lauderdale Jaycees and our large clubhouse?”

“Fantastic was the reply. Can you arrange for a meeting at the clubhouse with three or four board members in about four hours?”

“Sure, I’ll try to get them on the phone,” I answered.

After dialing and then dialing some more, I reached our Jaycees executive committee and they agreed to meet in order to learn more.

When I arrived at the clubhouse, I was late, the last to enter. A discussion had already begun about establishing a 16-line phone bank where people willing to help could call in and provide donations of food and clothing.

Those present from CBS television was their senior vice president; general manager; news director, assistant news director and community relations rep. There were five Jaycees, including myself.

CBS said that they would be on the ground, sharing news how victims of the hurricane were without essentials. Our proposed phone bank would allow calls from a neighbor or community volunteer. If we accepted becoming a partner, we would be in operation 24/7 for at least four weeks with newscasts from our building since their operations were without power.

Suddenly, the Jaycees president said, which one of the Jaycees would like to be Chairman?
“Oh my, everyone started looking at me. 11 sets of eyes were focused in my direction. What just happened?”

This was something I never anticipated. I back peddled, well, I have a full-time job with Broward County.

The station reps said, don’t worry, we’ll provide support.

Then the Jaycees vice president said, we will bring in other chapters from the tri-county area to help.

The president asked, Chuck, you in as Chair?

“Put me down for four weeks was my response.”

Our effort, rebuilding: Neighbors Helping Neighbors, was anticipated to provide a short-term solution to hurricane-ravaged areas of Miami. I’ll admit that for me, it was baptism by fire. My four anticipated weeks became four months and then those 4 months became 25 years. I became the last remaining original board member

Today, I put aside the national awards we won as a team, including the National Association of Broadcasters and National Jaycees. This volunteer experience led to unexpected returns which changed my life forever.

Recruiters from hospitals called. Headhunters from law firms called.

My experiences led to accepting a position with Broward Health, one of the top 10 public hospitals in the country with over 6,000 employees. I made a 5-yr commitment where I remained prior to starting my own PR firm.

Lessons Learned from my experiences:

A Commitment of Living Honorably generates Waves of Success.

When something doesn’t feel right, Avoid Red Flags by Sharing.

Community Involvement Protects Your Interests.

Volunteerism results in Unexpected Returns, Personally and Professionally.

Thank you for allowing me to share today.