For fraudster Scott Rothstein, nothing was more important to carrying out his $1.4 billion Ponzi scheme than his close relationships with his bankers.

To hear the former Fort Lauderdale attorney tell it, he corrupted bankers just like he corrupted a wide array of people: with cash, expensive watches, lavish dinners, invitations to his Dolphins suite, regular outings to strip clubs.

In two weeks of sworn testimony that ended Dec. 23, Rothstein repeatedly said that vigilant oversight of his frenzied banking activities, involving the rapid-fire transfer of tens of millions of dollars, would have shut down his fraud long before it imploded under its own weight in fall 2009.

He described one bank compliance officer as a "pit bull" and himself as "red meat." Yet he says he was able to fend off trouble with the help of a bank executive whom he plied with his "rock star lifestyle."

Other bank employees, Rothstein said, were paid off with tens of thousands of dollars stuffed in envelopes.

Rothstein outlined numerous precautions he took to prevent red flags involving his banking activity from ever reaching federal regulators who ferret out money laundering, suspicious account activity and fraud. Part of that, he said, involved methodically compromising bank officials who then protected him.

Attorneys for the two banks Rothstein used — Gibraltar Private Bank & Trust and TD Bank — maintain that virtually nothing Rothstein says can be believed, and that some of what he testified to is demonstrably false.

"He is a pathological liar," said Miami attorney Eugene Stearns, who represents Gibraltar. "He has zero, zero credibility."

Linus Wilson, an assistant professor of finance at the University of Louisiana at Lafayette who has written about Gibraltar as well as the Bernie Madoff fraud, said Rothstein's allegations against the bank employees are damaging. Wilson said the accusations largely rely on the word of an admitted liar, although Rothstein now claims to be reformed.
"What he said was the plaintiffs' attorneys' dream," Wilson said. "Obviously, Rothstein likes to make himself seem as important as possible. It's always possible he is coloring these relationships a little, but these are very serious allegations."

The two banks are targets of lawsuits by Rothstein's bilked investors, who lost $363 million, as well as clawback actions filed by the trustee overseeing the bankrupt Rothstein Rosenfeldt Adler law firm.

The bankruptcy clawback suits allege bank officials and the banks themselves were part of Rothstein's criminal conspiracy, and seek more than $60 million from Gibraltar and $20 million from TD Bank.

A large portion of Rothstein's testimony over the two weeks focused on the banks, because of the litigation swirling around them.

Rothstein alleged he gave Gibraltar Vice President John Harris — who was based in Gibraltar's downtown Fort Lauderdale office — a Rolex Yacht-Master watch, valued at about $20,000, and perhaps a second vintage watch, valued even higher. He said he also gave Harris two or three pairs of expensive cuff links from Bergdorf Goodman in New York and an expensive bottle of Louis XIII cognac.

Rothstein claimed that Harris flew with him on private jets to sporting events a number of times. One trip, Rothstein recalled, might have involved a Dolphins game in New York, where they dined at Harry Cipriani.

"He flew on so many, honestly, it's very difficult to remember which ones he was on," Rothstein testified.

Stearns said Harris never flew with Rothstein, and that is borne out by the flight logs. Michael Popok, an attorney representing Harris, denied Rothstein's assertions that he provided escorts for Harris.

"He's been sitting on the sidelines watching Scott Rothstein spew lies like an oil spill without a cap," Popok said.

Rothstein claimed he had Harris "in my pocket," and said the same thing about Steven Hayworth, the chairman and chief executive of Gibraltar. "They were essential for me being able to do what I needed to do without having interference with the federal or state authorities," he said.

Hayworth only had a passing, businesslike relationship with Rothstein, Stearns said, and had no knowledge Rothstein was running a fraud.

Compliance officers at Gibraltar who deal with federal laws relating to money laundering repeatedly questioned the funds flowing through Rothstein's accounts and wanted to close the
accounts, according to Rothstein. But, he said, Harris helped head off closer scrutiny that could have detected the Ponzi scheme.

In the final months of Rothstein's fraud, he invested $5 million in Gibraltar, which Hayworth and other investors bought for $93 million from a publicly traded financial firm.

"I was told by Harris and by Steve Hayworth that we don't investigate shareholders of the bank," Rothstein testified.

Rothstein also had roughly two dozen accounts at TD Bank, and befriended the bank's regional vice president, Frank Spinosa. Rothstein said he passed either $50,000 or $75,000 in cash to Spinosa while the two men dined at Bova, a restaurant Rothstein owned in the same building as his law firm. Rothstein said he gave another TD Bank employee an envelope containing $25,000 or $30,000.

In return, Rothstein said, he was able to falsify his bank balances — but make them look real with the help of letters from bank officials — and bring investors to the bank's branches. He said he did not have to worry about TD Bank flagging his activities as suspicious.

Sam Rabin, a lawyer for Spinosa, denied his client ever received money from Rothstein, and said that for the disgraced attorney's account of that alleged 2009 meeting to be believed, Spinosa would have aided the schemer for months without any financial benefit.

Spinosa has handed federal authorities his own personal banking information and financial records for 2009, showing that he never received such a payment, Rabin said.

"We fundamentally disagree with many of the characterizations contained in Mr. Rothstein's deposition and will continue to vigorously defend the bank against these claims," a TD Bank spokeswoman said in a statement.

By having such close banking relationships, Rothstein was able create an appearance of legitimacy, said George Young, an associate professor of accounting at Florida Atlantic University who specializes in fraud.

"I think it was very crucial in creating credibility for him," Young said. "It was a matter of power and just part of the grand scheme."