

BLSLawNotes

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THE MAKING OF A LAWYER

A Conversation with Six Graduating Students

Ross Intelisano '94: Fighting Fraud from Bear Stearns to Bernie Madoff and Beyond



In 2006, Ross Intelisano made a prediction. A seasoned securities arbitration lawyer with a reputation as one of the leading authorities on securities fraud and Ponzi schemes, Intelisano looked into the future and saw a financial crisis of unimaginable proportion. He put his vision on paper and published an article in *Bloomberg Law Reports* entitled “Hedge

Fund Fraud — The Future of Securities Arbitration?” in which he predicted, one year prior to the Bear Stearns High Grade Funds implosion, that broker-dealers would roll out proprietary hedge funds that were bound to unleash havoc on the financial system. Unfortunately for the market, and for the countless number of investors hurt by Bear Stearns, Intelisano was right.

In 2007, as predicted, Bear Stearns’ High Grade hedge funds crashed, with \$1.6 billion in losses. Intelisano was there to pick up the pieces, taking on Bear Stearns on behalf of Racetrac, a multi-billion dollar private company that had lost \$5 million in Stearns’ High Grade Structured Credit Strategies Hedge Fund. In December 2009, after a 16-day arbitration in Atlanta, Intelisano won a \$3.4 million arbitration award on their behalf. The award was groundbreaking for two reasons: It was the first verdict in any forum relating to the High Grade Funds, and it was rendered after portfolio managers Ralph Cioffi and Matthew Tannin were acquitted in a federal criminal trial.

While the Racetrac arbitration was an historic case, it was not the first time Intelisano had been on the pioneering end of an arbitration. He has long been a crusader for defrauded investors.

After graduating from the Law School in 1994, Intelisano joined Pressman & Associates, a one-man shop where he began to practice securities and employment law. Three years later, he was recruited by Eppenstein & Eppenstein, a premier securities arbitration firm, where he served as co-trial counsel on *Engel et. al. v. Refco*, the legendary commodities fraud case. The 100-day arbitration, on behalf of 13 individuals and family-run businesses, generated a \$43 million judgment in 2001. It remains the largest collected arbitration award ever rendered on behalf of retail investors against a brokerage firm.

In 2003, he joined forces with Eppenstein colleague John G. Rich to form Rich & Intelisano where he continued to try landmark cases, most notably working on behalf of investors who lost over \$25 million in the \$300 million Bayou hedge fund Ponzi scheme run by convicted fraudster Sam Israel. In Bayou, Intelisano once again did the unprecedented, filing a group arbitration case not against Israel, but against the registered investment advisor who had recommended Bayou to investors, for failure to perform adequate due diligence. The case, which was settled in mediation, was the first time in the world of securities arbitration that anyone had implicated an investment advisor in a Ponzi scheme.

And then came Bernie Madoff and a Ponzi scheme so large that it dwarfed anything the securities world had ever seen (\$18 billion is the latest estimate). Intelisano’s phone started ringing. “I spent hours consoling investors, listening to all of these tragic stories of middle class people who had lost every dime they had saved over a lifetime,” he recalled. “I knew they would never get it back. It was the lowest point of my career as a lawyer.”

While he knew he would not be able to help investors sue Madoff (their restitution is being handled by a court-appointed trustee), he brought back the “investment advisor theory” he advanced in Bayou, and is currently representing a group of 12 victims in claims against investment advisors to Madoff feeder funds. The hearings begin in June.

With the Madoff cases ahead of him, and the victories in Racetrac and Bayou behind him, Intelisano has become one of the country’s most well respected experts in the world of hedge fund fraud. He has appeared on *The Today Show*, *Anderson Cooper 360*, *Dateline NBC*, *PBS’s Frontline*, *Closing Bell with Maria Bartiromo*, and is regularly quoted in *The New York Times* and *The Wall Street Journal*.

Looking into the future, Intelisano believes the horizon remains clouded over with the potential for serious fraud. “Over-the-counter derivatives, credit default swaps, oil futures, all of these products that the government is worried about regulating are very complex and are improperly being sold to retail and institutional investors. Firms aren’t watching the shop. No one is.”

Prediction noted.

Ira Greenberg was appointed to the Metropolitan Transportation Authority (MTA) Board as a non-voting member recommended by the LIRR Commuters Council.

Greenberg is also president of the Sunnyside Chamber of Commerce and is an attorney with Leavitt, Kerson & Duane.

Charles H. Jainchill, Assistant Division Counsel in the Executive Liability Division of Chartis Insurance, wed Jill Rosenberg, Senior Director of Benefits and Compensation at the Donna Karan Company.