

Biglaw Firm Hit With \$500 Million Malpractice Suit

Above the Law [reports](#) that the Biglaw firm of Reed Smith has been named in a \$500 million malpractice lawsuit filed by two defunct Bear Stearns investment feeder funds that Reed Smith represented in RMBS-related litigation.

Plaintiffs claim that Reed Smith failed to bring a case against the rating agencies – Standard & Poors, Moody's, and Fitch Ratings – in a timely manner, resulting in those claims being dismissed, explains Above the Law senior editor [Kathryn Rubino](#).

From the complaint:

“Reed Smith’s negligent failure to understand New York’s statute of limitations cost the Bear Stearns Funds what Reed Smith identified as a billion-dollar claim against various rating agencies.”

[Read the Above the Law article.](#)

Dentons Associate Duped into Transferring \$2.5 Million to

Fraudster's Account



An associate at Dentons Canada fell victim to a scammer who posed as a mortgage company representative and two bank officials to persuade him to transfer \$2.5 million into the fraudster's account.

A decision in a Toronto court revealed that the associate sent the money from a property sale to a Hong Kong bank account after he received emails requesting the transfer in a business deal, according to [a report](#) in the *ABA Journal*.

The *Journal's* [Debra Cassens Weiss](#) reports:

“The fraudster had sent emails to the associate in early January 2017 advising that money from the property sale should be wired to Hong Kong because of an audit of the mortgage company's account. Dentons called the mortgage company, Timbercreek Mortgage Servicing, to confirm the Hong Kong account information but did not receive a call back, according to [the judge].”

The case came to light over litigation involving the firm's insurance coverage.

[Read the *ABA Journal* article.](#)

A Top 10 Verdict in Texas

A team of lawyers with Boyd Powers & Williamson alleging deceptive business practices against BBVA Compass Bank won a [\\$98 million verdict](#) for their client, a real estate developer who was working to build three luxury subdivisions in Tarrant County, Texas.

On its website, the firm explains the case:

“David Bagwell is a real estate developer who was working to build three luxury subdivisions in Tarrant County, Texas. Following the financial crisis of 2008, Mr. Bagwell entered into modification negotiations with his bank, BBVA Compass, to refinance the loans which were funding the new developments. In the course of the negotiations, Compass repeatedly told Mr. Bagwell that his loans would be renewed. However, after secretly negotiating with one of his competitors, those same loans were sold off at a discounted rate. A short time later, the competitor foreclosed and Mr. Bagwell was forced into bankruptcy.”

[Read details about the case.](#)

Lawyer Whose Boozy Brag Led to Insider Trades Can't Ditch

Verdict

Bloomberg Law [is reporting](#) that a former Hunton Andrews Kurth partner is stuck with securities fraud and conspiracy convictions after his drunken brag led to insider trading before a Pfizer merger, the Second Circuit said Jan. 10.

Robert Schulman was a Washington-based partner with Hunton & Williams, now Hunton Andrews Kurth, working on a patent dispute involving King Pharmaceuticals when he learned of the potential merger of King and Pfizer in August 2010.

He made reference to that deal to his investment adviser, Tibor Klein, at a dinner less than two weeks later. Klein “purchased 65,150 King shares for \$585,217 in various accounts” and made a profit in less than two months when the merger became public, the opinion said.

[Read the Bloomberg Law article.](#)

Implementing the New Revenue Recognition Standard – What Private Companies Need to Do Now

By [Robert Miller](#), CPA, CFE
Samet & Company, PC

With the effective date for the new revenue standard fast approaching, many private companies have still not taken important steps towards implementation. Time is running out as the private company implementation date draws closer and some entities may be surprised to learn that the effort to implement the new model is more involved than they might have imagined.

In May 2014 the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers, codified as Accounting Standards Codification (ASC) 606. This sweeping new revenue standard changes the entire model for recognizing revenues from arrangements with customers, introducing a new five-step model. The effective date for non-public entities is any fiscal year beginning after December 15, 2018.

Companies must consider and resolve important questions: What systems are in place to capture the new accounting, reporting and disclosure requirements? Are there customer arrangements that have a variable consideration component? Which of the two acceptable methods for calculating transaction price will be most appropriate? How will assessments be made to determine whether to recognize performance obligations at a point in time versus over time? What adoption method will be most appropriate? These are just some of the questions that must be considered by all entities as they implement the new revenue standard.

Auditors are also paying close attention to the implementation of ASC 606, and will themselves be focused on designing procedures to properly test the elements within the new revenue recognition model, in addition to implementation of the standard by their audit clients.

Companies will find that it is generally beneficial to have a preliminary discussion with their auditor regarding the approach in the first year of implementation and beyond. This

will almost certainly eliminate certain potential surprises later on. Items that should be discussed include:

- The approach for documenting implementation of ASC 606, including the new five-step model
- The accuracy of any data used, and the approach for compiling that data to support first year reported amounts and disclosures
- The controls and process for ensuring that revenues are being properly captured and recognized under the new model
- Any assumptions by management and the supporting evidence or reasoning behind those assumptions
- Important management representations that are likely to be required

All entities within the scope of ASC 606 will need to develop a plan for implementation and document how they are applying the new standard, regardless of the level of impact. At a minimum, there are expanded disclosure requirements for all entities. Additionally, many entities that have already adopted ASC 606 found that changes to existing systems were necessary in many cases. An initial assessment of the impact of the new standard is critical to gain an understanding of what might be involved to implement.

So what should private companies who have not yet taken action do? Here are some important steps to follow:

- Designate a Champion – Identify and assign an individual to lead the implementation project
- Develop an Implementation Plan – A solid implementation plan should cover several areas, including technical accounting impact, processes and internal controls, IT and data needs, and training, among other areas
- Document – Document the application of the standard to specific types of customer contracts
- Make Changes to Systems – Implement any necessary system changes to ensure information necessary for proper reporting is captured and tracked

- Capture Information Necessary for Implementation – Complete any analyses and calculations needed to properly support amounts and disclosures on the date of adoption

An important first step is to contact your accounting firm. Your audit partner is often management's best resource. An initial discussion about how the new ASC 606 model is likely to affect your business can be worth its weight in gold. While the clock continues to tick for many companies that have not yet begun the process of evaluating the impact of ASC 606, there is still time to avoid unwanted surprises. The key is to take that first step and reach out to your accounting firm or other advisor who has a solid understanding of the new standard and start the discussion about implementation.

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Subpoenas Issued to Trump Organization in Emoluments Lawsuit

The attorneys general of Maryland and the District of Columbia on Tuesday formally demanded financial records from U.S. President Donald Trump's businesses as part of their lawsuit alleging his dealings with foreign governments violate anti-corruption clauses of the U.S. Constitution, reports [Reuters](#).

The Trump Organization Inc., the president's privately owned

real estate company, and related corporate entities received the subpoenas, according to Reuters reporter [Jan Wolfe](#).

The report quotes George Brown, a professor at Boston College Law School:

The development “brings us closer to judicially enforced discovery about the Trump empire,” said Brown. “It will probably tell us a lot we don’t know because nobody is going to hide that stuff in the face of a subpoena.”

[Read the Reuters article.](#)

Justice Department Charges 4 Over Panama Papers Tax Schemes



The Washington Post [reports](#) that the Justice Department charged four people Tuesday with scheming for decades to hide tens of millions of dollars from the Internal Revenue Service – the first U.S. indictment over alleged tax evasion revealed in 2016 through the Panama Papers.

Post reporter [Devlin Barrett](#) writes that those charged include a former investment manager, a former U.S. resident, an American accountant and a Panamanian lawyer who once worked for the “firm at the center of the case, Mossack Fonseca.

“The 11-count indictment unsealed in New York marks the first time the U.S. government has charged anyone with tax crimes related to the firm – and authorities suggested others could soon be charged,” according to Barrett.

[Read the *Washington Post* article.](#)

Dallas Cryptocurrency CEO Faces Charges of Scamming Investors Out of \$4 Million

The CEO of Dallas-based AriseBank was arrested by the FBI on Wednesday for allegedly duping hundreds of investors out of more than \$4 million in a splashy cryptocurrency scheme that promised federally insured accounts and brand-name credit cards, *The Dallas Morning News* [reports](#).

Jared Rice Sr.’s arrest followed his indictment on three counts each of securities fraud and wire fraud, said Erin Nealy Cox, U.S. Attorney for the Northern District of Texas, according to *Morning News* business editor [Paul O’Donnell](#).

Rice was accused of lying to would-be investors by claiming that AriseBank could offer consumers FDIC-insured accounts and traditional banking services, including Visa-brand credit and debit cards, in addition to cryptocurrency services..

[Read the *Morning News* article.](#)

Roetzel Represents C.S.I. Enterprises, Inc. in \$600 Million Acquisition by Edenred

[Roetzel & Andress LPA](#) announced that it represented C.S.I. Enterprises, Inc., a leading global corporate payments technology company based in Bonita Springs, Florida, in its agreement with Edenred, a Malakoff, France-based company. Edenred will acquire CSI in the \$600 million transaction.

In a release, the firm said the transaction allows CSI to accelerate its growth strategies and leverage Edenred's world leadership in transactional solutions, as well as help Edenred enhance its digital payment technology platform and significantly increase its North American presence. The transaction furthers a partnership between CSI and Edenred formed nearly two years ago, according to the law firm.

The deal is subject to regulatory approval and is expected to close in early 2019.

The Roetzel team representing CSI was led by firm shareholder Christopher P. Reuscher, chair of the Corporate, Tax and Transactional practice group, along with the following Roetzel attorneys:

– Karen D. Adinolfi (shareholder)

- Lindsie Everett (associate)
- Laura (Megan) Faust (shareholder)
- Terrence S. Finn (shareholder)
- James D. Fox (shareholder)
- Paul A. Giordano (shareholder and Business Litigation practice group manager)
- Paul Heuerman (shareholder)
- Paul L. Jackson (shareholder and Roetzel president)
- Suzanne K. Ketler, Ph.D. (shareholder)
- Ronald S. Kopp (shareholder)
- Terrence H. Link III (shareholder)
- Lisa H. Lipman (shareholder)
- Jessica Lopez (associate)
- J. Breton McNab (associate)
- Chad L. Mowery (shareholder)
- Stephanie Y. Olivera (associate)
- Joseph M. Ruscak (shareholder)
- James K. Shaw (counsel)
- John B. Waters (counsel)

Tesla Loses a Senior Lawyer Just as SEC Tightens Grip

Bloomberg [is reporting](#) that an experienced securities lawyer has left Tesla Inc. just as the company needs one under its fraud settlement with U.S. regulators.

Phil Rothenberg, a vice president in Tesla's legal department who joined the company in 2011, became general counsel at

Sonder, a hospitality startup, on Nov. 5, writes Bloomberg reporter [Dana Hull](#).

Before joining Tesla, Rothenberg was an attorney-adviser for the U.S. Securities and Exchange Commission and has extensive securities law experience.

[Read the Bloomberg article.](#)

Ex-JPMorgan Trader Pleads Guilty in Six-Year Spoofing Plot

A former precious-metals trader said to have worked at JPMorgan Chase & Co. admitted he engaged in a six-year spoofing scheme that defrauded investors in futures contracts with the help of his colleagues and bosses, Bloomberg Law [reports](#).

Prosecutors said John Edmonds placed hundreds of orders he never intended to execute – orders designed to move the market, but were canceled before being matched. Edmonds and other traders sought to manipulate futures markets for gold, silver, platinum and palladium on the Nymex and Comex exchanges for their own benefit.

The Bloomberg article continues: “Edmonds, who lives in Brooklyn, New York, said he learned the spoofing strategy from more senior traders at the bank and said his immediate supervisors approved of it, according to the Justice Department.”

[Read the Bloomberg Law article.](#)

Forex-Rigging Settlements Yield \$300M for Class Counsel

Bloomberg Law reports that class counsel will take home \$300 million from settlements over an alleged conspiracy among banks to fix prices in the foreign exchange market.

The court issued the order on Thursday, Nov. 8.

The settlement, approved in August with banks that include Bank of America, JP Morgan and Citibank, is the third largest antitrust class action settlement in history, according to plaintiffs, writes Bloomberg reporter Perry Cooper.

[Read the Bloomberg article.](#)

CEO Allegedly Stole Millions From Low-Income Customers to Pay for a Ferrari, a Private Jet and a Florida Condo

An Ohio company faces a record fine of more than \$63 million after allegedly bilking a government aid program out of millions of dollars, some of which went toward funding the lavish lifestyle of the firm's chief executive, federal regulators said Tuesday.

The Washington Post [reports](#) that the the Federal Communications Commission is taking action against American Broadband, a provider of low-income phone service whose agents allegedly created fake or duplicate customer accounts to claim extra federal funding under a program that offers disadvantaged Americans a small monthly discount on phone and Internet service.

Post reporter [Brian Fung](#) explains:

American Broadband's chief executive, Jeffrey Ansted, was also held personally liable for the alleged misconduct Tuesday as the FCC accused him of embezzling aid money and using it to pay for luxury goods such as an \$8 million private Cessna jet, a \$1.3 million Florida condominium and a \$250,000 Ferrari convertible. He also used the funds to buy memberships to yacht and country clubs, the FCC said.

[Read the Washington Post article.](#)

'Frack Master' of Texas Oil Fame Pleads Guilty to Massive Fraud, Faces Up to 12 Years in Prison

The Dallas Morning News [reports](#) that Texas businessman Christopher Faulkner, better known by his now infamous moniker "Frack Master," has admitted to securities fraud, tax evasion and money laundering and faces up to 12 years in prison, federal officials said Tuesday.

Reporter [Jess Mosier](#) writes that Faulkner, the former CEO of Dallas-based Breitling Energy, became a star in business circles for his high-profile media appearances defending hydraulic fracturing or fracking. He used fake college degrees and skimpy business experience to convince Dallas business elite and Texas political elite that he was an oil and gas expert.

"The SEC effectively shut down Breitling Energy and related businesses after suing Faulkner and 11 others in 2016 for misusing \$23.8 million of the \$80 million they raised for oil and gas investments," according to Mosier. "Besides the prison time, Faulkner must pay back the nearly \$24 million made from his schemes, under the terms of his settlement."

[Read the Dallas News article.](#)

Ten Key Issues in Addressed Lease Agreements for Companies

Equipment leasing presents a company with an opportunity to acquire the use of equipment without using its own cash or its bank line of credit, according to [a post](#) on the website of Steptoe & Johnson.

“An understanding of the unique features of equipment lease contracts should help a company work with its bank to structure and document a mutually acceptable lease agreement,” writes [Andrew J. Kalgreen](#).

His article discusses end-of-term purchase and return options, maintenance requirements, tax benefit protection, third-party liability protection, disclaimers of product warranties, and termination risks.

[Read the article.](#)

K&L Gates Under Fire from

Texas Company in Malpractice Suit

Bloomberg Law [reports](#) that K&L Gates LLP is facing a \$100 million legal malpractice suit from a Texas semiconductor company, Quantum Materials Corp., over an alleged conflict of interest.

Reporter [Sam Skolnik](#) explains that the plaintiff's petition alleges that the law firm represented lenders in a legal action against the company while also representing Quantum. The petition filed Oct. 16 in District Court of Hays County, Texas, seeks punitive damages.

The complaint says that Quantum retained K&L Gates in 2016 as corporate counsel, and the representation was never ended. But when Quantum became involved in a dispute with two lenders, K&L Gates lawyers represented the lenders against Quantum, according to the complaint.

[Read the Bloomberg Law article.](#)

HSBC to Pay \$765 Million in Settlement Over Pre-Crisis

Mortgage Bonds



Image by
[Hakan](#)
[Dahlström](#)
[Photography](#)

Housing Wire is [reporting](#) that HSBC will pay \$765 million to the federal government as part of a settlement that covers the bank's mortgage bond activities in the run-up to the housing crisis.

An announcement from the U.S. Department of Justice outlines the resolution of an investigation into the bank's mortgage origination and securitization activities from 2005 to 2007, according to editor [Ben Lane](#).

While previous HSBC statements on the case didn't disclose the conduct in question, the DOJ's announcement alleged the bank allegedly knew it was putting toxic loans into residential mortgage-backed securities and sold the bonds anyway, Lane explains.

[Read the HousingWire article.](#)

Contract Roulette: The Top Five Agreements That Get Businesspeople into Trouble



You can do a lot of damage with a signature, warns Jack Garson of Garson Law LLC in Bethesda, Maryland. You can go broke.

In [an article](#) on the website of *Forbes*, he discusses five types of contracts that have caused the most disasters.

First, he warns of the dangers of assuming that leases are standard, so there's no reason to read every clause.

On the subject of loan agreements, Garson's advice is to negotiate, consult advisors, and bargain. Most of all, he adds, get the right to prepay the loan.

He also covers construction contracts, partnership agreements, and personal guarantees.

[Read the article.](#)

Elon Musk's SEC Settlement Could Have Gone So Much Worse



Legal experts say the penalties that the SEC doled out to Elon Musk for “false and misleading” statements made on Twitter could have been much, much worse for Musk and his car company, [reports *Wired*](#).

Reporter [Aarian Marshall](#) writes that “Musk and Tesla will have to each write \$20 million checks for the misadventure, which will be disbursed to investors harmed during the wild market swings that occurred after Musk’s tweets.” Musk had tweeted that he planned to take Tesla private and funding had been secured.

“Not settling with the SEC could have led to a more dire outcome,” Marshall explains. “The SEC’s initial suit sought to bar the CEO from becoming an officer or director for any public company, perhaps for life.”

[Read the *Wired* article.](#)

Three Charged in \$364M Scheme That Paid for Splurges on Diamonds, Bugattis and Mansions

A federal grand jury has indicted three men for what officials describe as a \$364 million Ponzi scheme to defraud investors, reports [The Dallas Morning News](#).

Jay B. Ledford and Cameron R. Jezierski of Texas, along with Kevin B. Merrill of Maryland, raised money from investors who thought they were buying into cheap portfolios of consumer debt on credit cards and student and auto loans, investigators from the Federal Bureau of Investigation and Securities and Exchange Commission said.

“The defendants lured investors through an elaborate web of lies, duping them into paying millions of dollars into this Ponzi scheme,” said U.S. Attorney Robert K. Hur in a statement.

The report by [Lison Joseph](#) says the trio spent more than \$73 million of investors’ money at casinos and to buy diamond jewelry and luxury cars including Lamborghinis, Ferraris, Bentleys and Bugattis.

[Read the Dallas News article.](#)