

# BUSINESS

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## REAL ESTATE

# Legal spats nip at Puig Inc.

■ The tension is rising in the court battles for the assets of Hialeah condo converter Puig Inc.

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Litigation is mushrooming in the bankruptcy of Puig Inc., with creditors pitted against creditors for the assets of the failed Hialeah condo converter.

In the latest dustup, Puig Inc.'s lenders claim the company

became a Ponzi scheme that also funded lavish lifestyles for its executives. Those lenders themselves are the target of a lawsuit. A group of other creditors says the loans carried illegally high interest rates and has sued to get back the interest.

The legal spats are rooted in the collapse of Puig Inc., which converted and sold 19 apartment projects with 1,400 units over 13 years before it wound up in bankruptcy last year. The company's assets are

being sold to repay debts, which exceed \$140 million.

The lenders' lawsuit, filed this week, charges Puig Inc. CEO Jose M. Ordonez Jr., Frank Diaz, a company accountant, and other insiders "lined their own pockets with investors' money" by paying for trips, sports cars, jewelry and credit-card bills. The suit points out Diaz is a disbarred lawyer who previously served federal prison time for a fraud conviction. It also says loans to Puig were repaid

with funds from subsequent loans, making Puig Inc. "a classic Ponzi scheme."

Omar Ortega, a Coral Gables lawyer representing Ordonez and Diaz, refuted the allegations.

"They did not pilfer anything from the company," Ortega said. "Had the market not made the turn that it made, there would be no complaints. The market had a negative turn and now the investors

•TURN TO PUIG, 2C

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# Lenders: Company was Ponzi scheme

• PUIG, FROM 1C

[lenders] are looking for someone to blame."

Juan Puig, the company's president who is in personal bankruptcy, isn't named in the suit. Many of his personal assets will be sold Sunday in a court-ordered auction.

The lenders involved include family, friends and entities affiliated with Miami Beach lawyer Michael Rosenbaum, who had done some legal work for Puig. They lent a total of about \$1.6 million to the company.

Bradley Trushin, a Fort Lauderdale lawyer for the lenders, said he's trying to recover his clients' money any way he can. He criticized the unsecured creditors committee for going after the lenders. "It seems like all they are doing is going after innocent investors and not going after the perpetrators of this fraudulent scheme who stole all of my clients' money," Trushin said.

Miami lawyer Michael Budwick represents the unsecured creditors. He says the lenders' suit aims to distract attention from

the committee's claims that Rosenbaum and others lent money to Puig Inc. at usurious rates of 20 percent or more.

"We think it's inappropriate for a lawyer to have his family loan money to [his] client at an illegal interest rate," Budwick said. The committee is challenging the lenders' claims on what they are owed. It also seeks \$545,000 for interest the lenders collected and the return of more than \$700,000 in legal fees paid by Puig Inc. to Rosenbaum's former law firm.

The committee also says Rosenbaum recorded invalid liens on Puig's property to move the lenders ahead of other creditors. Budwick said the liens were based on security agreements with Puig's forged signature.

Trushin disputes the agreements were forged. As for the usurious interest rates allegations, Trushin said Puig Inc. offered the high rates to induce people to lend.

Similar rates were offered to others who have not been sued by the committee, he said.