

## Life Settlement Investors Sue Auditor

Article By:

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### **Who**

*Plaintiffs:* CNF II Partners and CNF II-Q, L.P.

*Defendant:* Rothstein, Kass & Co., P.C.

**What:** CNF II Partners and CNF II-Q, L.P. (Plaintiffs) filed an action against Rothstein, Kass & Co., P.C. (Rothstein), a financial auditor, arising from Rothstein's alleged failure to conduct proper audits and failure to detect and report fraud, misappropriation of assets, and illegal conduct. According to the complaint, Plaintiffs formed a partnership that invested in life settlements. Plaintiffs claim that CNF II Partners (one of the plaintiffs) retained a life settlement provider "to identify and purchase" life insurance policies on its behalf. Plaintiffs allege that they provided funds to the life settlement provider and the provider's agent, John Puglisi, for the purpose of purchasing selected policies.

According to Plaintiffs, the provider and Puglisi misappropriated those funds and permitted policies owned by Plaintiffs to lapse for failure to pay premiums. This conduct is the subject of a pending lawsuit in the Supreme Court of New York (New York County). Following the alleged misappropriation of funds and related conduct, Plaintiffs allegedly retained Rothstein to conduct financial audits. Plaintiffs allege that Rothstein acted negligently in failing to detect fraud associated with portions of Plaintiffs' portfolio of "trading policies." Plaintiffs further allege that Rothstein failed to properly audit certain escrow amounts. Plaintiffs also contend that Rothstein failed to confirm the existence and ownership of policies purportedly comprised in Plaintiffs' investment portfolio.

Plaintiffs assert causes of action for (1) professional negligence; (2) breach of contract; (3) breach of implied covenant of good faith and fair dealing; and (4) breach of fiduciary duty. Plaintiffs seek unspecified consequential and compensatory damages including the "damages imposed on Plaintiffs as a result of the delay in discovering" the conduct outlined in the complaint.

**Where:** Superior Court, Bergen County, New Jersey

**When:** August 12, 2013

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