

DAILY BUSINESS REVIEW

CONTEMPT HEARING Phillip Milton owes \$128,000

Accused Ponzi schemer sent to jail for missing jewelry

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Schneider

A federal judge ordered a Palm Beach Gardens man accused of running a \$28 million Ponzi scheme to jail Thursday when he came to court but refused to cough up \$128,000 in jewelry.

Phillip Milton testified he gave the jewelry, assorted watches and wedding rings to a friend. But the friend, Riviera Beach entrepreneur Franklin Freedman, testified he never received any jewelry from Milton.

U.S. District Senior Judge Daniel T.K. Hurley was left weighing the credibility of the two witnesses at the civil contempt hearing.

Freedman ran one of South Florida's largest insulation companies during the housing boom of the 1980s and currently heads a green technology company.

Milton, on the other hand, agreed with the Securities and Exchange Commission in a June 23 judgment to pay \$2.3 million but failed to produce it all.

Milton and partner William H. Center used three investment clubs to bilk about 800 people, while pocketing about \$9 million, according to receiver Jeffrey Schneider.

It took a 4 1/2-hour hearing in West Palm Beach to sort out the mess, but the meticulous judge in the end came down on the side of the receiver in charge of Milton's defunct company, Trade-LLC.

Freedman "has no reason to lie. He is an honest businessman. He is a third party to all of this. He has no ax to grind," the judge said. As to Milton, "I have to believe he has that jewelry somewhere."

"Some people have said I'm smart enough to hide \$10 million or even \$2 million in the last year," Milton testified. "I'd like to take credit for that but I can't."

Milton testified that he has numerous health problems, including cancer and diabetes. He said he missed previous deadlines to turnover the jewelry in the last month because of treatment.

Milton, dressed in a navy blue sweater, surrendered to the U.S. Marshals Service. He can get out by turning over the jewelry or its cash value to the receiver.

Schneider, a partner at Levine Kellogg Lehman Schneider + Grossman in Miami, wanted Milton to pay back another \$44,000 from the June sale of a BMW convertible and some cash withdrawals, but Hurley said he hadn't met his burden of proof.

Attorney Patrick Rengstl, who represents Schneider and is at same law firm, told the judge that with all the money pocketed in the Ponzi, Milton and his wife lived a fairly modest life, but the money had to go somewhere.

"If you run the numbers, it just doesn't add up," he said.

The real drama came when Freedman testified. He said he got a blind call from Milton about installing his generators at Trade-LLC in 2008. The two became close, even went fishing together. Milton eventually invested \$500,000 in Freedman's business, Standby Power Supply, for a 15 percent partnership.

"I kind of admired him," he said.

Freedman got more promises from Milton for investments that never materialized. Freedman's associates started calling Milton, "The Storyteller." Freedman said he became so wary of Milton early last year that he wouldn't take his calls.

"He had made so many off-the-wall statements. He had broken so many promises," he testified.

Freedman told Hurley that Milton was trying to make him the patsy.

Milton's attorney, solo practitioner Lawrence U. Taube of West Palm Beach, asked Hurley if he really thought Milton felt "holding on to the jewelry is more important than his personal freedom?"

But Freedman's last words seemed to reverberate after he left the stand.

"I don't know anybody who gives somebody jewelry and doesn't get a receipt, doesn't get something," he said.

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MISSING JEWELRY

- Platinum engagement ring
- Platinum diamond anniversary band
- Gold and diamond cross necklace
- Heart-shaped diamond
- Three watches

