

## Ruden McClosky Unsecured Creditors Getting 10.5 Cents on the Dollar

Julie Kay, Daily Business Review

May 7, 2015



Four years after Fort Lauderdale-based law firm Ruden McClosky filed for bankruptcy, creditors are finally getting paid—but not much.

The secured lender, Wells Fargo, which provided Ruden with a line of credit, received its full claim of \$4.8 million.

Unsecured creditors, including U.S. Bank, Lloyd's of London and the law firm's West Palm Beach landlord, will get about 10.5 cents on the dollar. A total of \$798,000 will be paid to creditors on claims of close to \$7.6 million.

Bankruptcy plan administrator Joseph Luzinski of Development Specialists Inc. of Fort Lauderdale, his lawyers at Berger Singerman and the rest of his team will do better than the unsecured creditors, receiving fees of more than \$1 million for their efforts.

"We're pleased at the pace and size of the recovery obtained through this Chapter 11 process," Luzinski said. "Bankruptcy is a tough arena. Getting something is better than getting nothing."

At its peak, Ruden McClosky was Fort Lauderdale's largest law firm with offices throughout the state and more than 200 lawyers. But the firm, dominated by its real estate practice, spiraled downward during the housing bust and financial crisis as partners defected and the firm closed offices.

In November 2011, the firm filed for bankruptcy in Fort Lauderdale and crafted an asset sale agreement with another major Fort Lauderdale firm, Greenspoon Marder, which picked up about 70 lawyers plus staff.

Luzinski filed clawback lawsuits against landlords and vendors whose bills were paid by Ruden within 90 days of the bankruptcy filing. Additionally, the estate shared half of accounts receivables with Greenspoon Marder.

Those funds led to the planned payout to creditors.

U.S. Bank, which provided computer and other equipment financing and was the largest creditor, will receive \$55,000 on its \$531,000 claim.

The Paul and Phyllis Fireman Charitable Foundation, which had a malpractice claim against Ruden, will receive \$52,000 on its \$500,000 claim.

Lloyd's of London, Ruden's malpractice carrier, will receive \$42,000 on a \$400,000 claim.

Greenspoon Marder will receive \$67,000 on claims totaling \$643,000 for legal work done for Ruden before the bankruptcy.

SPUSV5, Ruden's West Palm Beach landlord, will receive \$27,000 on its claim of \$256,000 in unpaid rent.

Altman Weil, a law firm consulting company, will receive \$23,600 on its claim of \$225,000.

Twenty former Ruden partners, who asked for the return of \$2 million in capital contributions, will split about \$200,000.

Luzinski said he plans to make a second payout in the future. He called the process a "win-win process for both sides."

"Given the fact that this was a very, very novel approach that wasn't done before—selling an operating law firm—this was a success," he said. "Normally, when law firms go out of business, receivables dry up and the money disappears, and there is millions in debt. This was a situation where not only were the jobs preserved but we obtained a very good result."

Terry Russell, a former longtime partner at Ruden McClosky, said he was "pleasantly surprised" to hear he would be getting about \$10,000.

"I really did not expect further payouts," said Russell, now a partner at Holland & Knight. "It's been sad to see the firm go out that way. It was a great law firm while it lasted."