



***United States Attorney  
Southern District of New York***

**FOR IMMEDIATE RELEASE  
FEBRUARY 25, 2009**

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**TWO INVESTMENT MANAGERS ARRESTED ON FRAUD CHARGES  
INVOLVING OVER \$550 MILLION**

LEV L. DASSIN, the Acting United States Attorney for the Southern District of New York, and JOSEPH M. DEMAREST, JR., the Assistant Director-in-Charge of the Federal Bureau of Investigation's New York Field Division ("FBI"), announced today that PAUL GREENWOOD, 61, of North Salem, New York, and STEPHEN WALSH, 64, of Sands Point, New York, were arrested this morning on conspiracy, securities fraud, and wire fraud charges. According to the three-count Complaint unsealed today in Manhattan federal court:

From at least 1996 through February 2009, GREENWOOD and WALSH ran a fraudulent commodities trading and investment advisory scheme using an entity they controlled called WG Trading Investors. Through a marketer, GREENWOOD and WALSH solicited investor funds on the understanding that they would invest the funds in a program called "enhanced stock indexing," which they represented was a conservative trading strategy that had outperformed the results of the S&P 500 Index for more than 10 years.

Several institutional investors - including charitable and university foundations, retirement and pension plans, and other institutions - invested more than \$668 million through WG Trading Investors, receiving in exchange promissory notes issued by WG Trading Investors that the defendants represented would pay interest at a rate equal to the investment returns earned by the enhanced stock indexing strategy. Contrary to their representations to their investors, GREENWOOD and WALSH

misappropriated the majority of the investor funds. Among other things, GREENWOOD used the funds to purchase expensive collectible items, horses, and for other personal expenditures. WALSH misappropriated investor funds for himself and to make large cash payments to his ex-wife. Both GREENWOOD and WALSH executed promissory notes in favor of WG Investors with respect to the investor funds they misappropriated and to conceal trading losses. These promissory notes totaled approximately \$293 million for GREENWOOD and approximately \$261 million for WALSH.

In February 2009, the National Futures Association ("NFA") conducted an audit of WG Investors and related entities. In the audit, the NFA discovered that of approximately \$812 million purportedly on the books of WG Investors, more than \$794 million was booked as receivables due from GREENWOOD and WALSH and investments in entities that they controlled.

GREENWOOD and WALSH surrendered this morning to the FBI and are expected to be presented today before United States Magistrate Judge DOUGLAS F. EATON in Manhattan federal court.

GREENWOOD and WALSH are each charged with one count of conspiracy to commit securities fraud and wire fraud, one count of securities fraud, and one count of wire fraud. The conspiracy count carries a maximum sentence of 5 years in prison and a maximum fine of \$250,000, or twice the gross gain or loss from the offense. The securities fraud count carries a maximum sentence of 20 years in prison and a maximum fine of \$5 million, or twice the gross gain or loss from the offense. The wire fraud count carries a maximum sentence of 20 years in prison and a maximum fine of \$250,000, or twice the gross gain or loss from the offense.

Mr. DASSIN praised the investigative work of the FBI in this case, and thanked the United States Securities and Exchange Commission, the United States Commodity Futures Trading Commission, and the NFA, for their assistance. He added that the investigation is continuing.

Assistant United States Attorneys JOHN J. O'DONNELL, JESSICA A. ROTH, and AMY LESTER are in charge of the prosecution.

The charges contained in the Complaint are merely accusations, and the defendants are presumed innocent unless and until proven guilty.

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