



*United States Attorney
Southern District of New York*

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**INVESTMENT MANAGER PLEADS GUILTY IN MANHATTAN FEDERAL
COURT TO SEVERAL HUNDRED MILLION-DOLLAR FRAUD**

PREET BHARARA, the United States Attorney for the Southern District of New York, announced that PAUL GREENWOOD pled guilty today in Manhattan federal court to a six-count Indictment charging him with conspiracy, securities fraud, commodities fraud, wire fraud, and money laundering for running a fraudulent commodities trading and investment advisory scheme while a principal of WG Trading Company and WG Trading Investors. GREENWOOD, 63, of North Salem, New York, pled guilty before United States District Judge MIRIAM GOLDMAN CEDARBAUM.

According to the Indictment, other documents filed in Manhattan federal court, and statements made at the plea proceeding:

From at least 1996 through February 2009, GREENWOOD and others ran a fraudulent commodities trading and investment advisory scheme using an entity they controlled called WG Trading Investors. Through a marketer, GREENWOOD and others solicited \$7.6 billion in investor funds on the understanding that they would invest the funds in a program called "equity index arbitrage," which they represented was a conservative trading strategy that had outperformed the results of the S&P 500 Index for more than 10 years.

As a result, several institutional investors -- including charitable and university foundations, retirement and pension plans, and other institutions -- invested billions of dollars with GREENWOOD and others. Investors either became limited partners in WG Trading Company, LP, or received promissory notes issued by WG Trading Investors that the defendants represented would pay interest at a rate equal to the investment returns earned by a limited partner of WG Trading Company. Contrary to their representations to their investors, GREENWOOD and others misappropriated at least \$331 million in investor funds. Among other things, GREENWOOD used the funds to construct his home, purchase expensive collectible items, and operate a horse farm. GREENWOOD and others also diverted

investor funds to satisfy obligations on investments that were unrelated to the "equity index arbitrage" trading business.

GREENWOOD and others executed promissory notes in favor of WG Investors to, among other things, conceal trading losses and their misappropriation of investor funds. These promissory notes totaled approximately \$554 million, of which approximately \$293 million was GREENWOOD's. GREENWOOD and others also created and caused others to create false account statements that were sent to clients to reflect fictitious returns consistent with the returns that had been promised to those clients.

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GREENWOOD pled guilty to each of the six charges in the Indictment, which carry the following maximum penalties:

Count	Charge	Penalty
One	Conspiracy	5 years in prison; fine of \$250,000, or twice the gross gain or loss from the crime
Two	Securities Fraud	20 years in prison; fine of \$5 million, or twice the gross gain or loss from the crime
Three	Commodities Fraud	10 years in prison; fine of \$1 million, or twice the gross gain or loss from the crime
Four	Wire Fraud	20 years in prison; fine of \$250,000, or twice the gross gain or loss from the crime
Five	Wire Fraud	20 years in prison; fine of \$250,000, or twice the gross gain or loss from the crime
Six	Money Laundering	10 years in prison; fine of \$250,000, or twice the gross gain or loss from the crime, or twice the amount of criminally derived property involved in the transaction

Pursuant to a plea agreement, GREENWOOD agreed to forfeit a sum of money equal to at least \$331 million, which represents the amount of funds that GREENWOOD and others personally misappropriated and diverted to make an investment in

Signal Apparel Company, Inc., which was not disclosed to investors.

On July 21, 2009, DEBORAH DUFFY, the former Chief Compliance Officer of WG Trading Company, pled guilty to conspiracy, securities fraud, and money laundering, for her role in the fraud scheme.

STEPHEN WALSH, another principal of WG Trading Company and WG Trading Investors, is charged with conspiracy, securities fraud, commodities fraud, wire fraud, and money laundering for his role in orchestrating and perpetrating the fraud scheme. WALSH allegedly used investor funds for himself and to make large cash payments to his ex-wife and, like GREENWOOD, executed \$261 million worth of promissory notes in favor of WG Investors to conceal trading losses and the misappropriation of investor funds. The charges against WALSH remain pending, and he is presumed innocent unless and until proven guilty.

Mr. BHARARA praised the work of the Federal Bureau of Investigation, and thanked the United States Securities and Exchange Commission, the United States Commodity Futures Trading Commission, and the National Futures Association, for their assistance. He added that the investigation is continuing.

This case is being handled by the Office's Securities and Commodities Fraud Task Force. Assistant United States Attorneys JOHN J. O'DONNELL, MARISSA MOLÉ, and AMY LESTER are in charge of the prosecution.

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