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## **CFTC Charges New York Residents with Operating \$1.3 Billion Investment Scam**

### **Stephen Walsh and Paul Greenwood Allegedly Misappropriated Over \$553 Million from Commodity Pool Participants**

**Washington, DC** – The U.S. Commodity Futures Trading Commission (CFTC) today charged Stephen Walsh of Sands Point, New York, and Paul Greenwood of North Salem, New York, with misappropriating at least \$553 million from commodity pool participants in connection with entities they owned and controlled, such as Westridge Capital Management, Inc., WG Trading Investors, LP, and WGIA, LLC. The defendants' alleged misappropriation was uncovered during an audit by the National Futures Association.

#### **CFTC is Seeking a Court Order Freezing Assets and Preserving Records; Additional Criminal and Civil Actions Filed**

The CFTC's complaint charges Walsh and Greenwood with futures fraud and misappropriation of pool funds. In conjunction with the CFTC's filing of the complaint today in the United States District Court for the Southern District of New York, the CFTC is seeking a statutory restraining order freezing defendants' assets and preserving records.

At the same time, the office of the United States Attorney for the Southern District of New York filed a criminal complaint against Walsh and Greenwood, and the Securities and Exchange Commission filed a civil action against Walsh, Greenwood, and others.

According to CFTC Acting Director of Enforcement Stephen J. Obie, "The coordinated efforts of multiple federal regulators resulted in uncovering and ending this egregious fraud. Defendants treated investor money-- some of which came from a public pension fund-- as their own piggy bank to lavish themselves with expensive gifts. The public can rest assured that their nation's commodity futures regulator is pursuing every avenue to locate and eliminate crooked commodity professionals."

The CFTC complaint alleges that, from at least 1996 to the present, Walsh and Greenwood fraudulently solicited approximately \$1.3 billion from individuals and entities through Westridge Capital Management, WG Trading Investors, LP, and other entities. The complaint charges that the defendants defrauded victims by falsely depicting that all pool participants' funds would be employed in a single investment strategy that consisted of index arbitrage. However, pool participants' funds were transferred to another entity from which Walsh and Greenwood siphoned funds, according to the complaint.

According to the complaint, to cover-up their misappropriation of pool participants' funds, Greenwood and Walsh manufactured promissory notes to present the appearance that pool participants' funds had been loaned to them.

Walsh and Greenwood allegedly misappropriated approximately \$553 million in pool participants' funds. More than \$160 million was used for Walsh and Greenwood's personal expenses, including purchasing rare books, horses, Steiff teddy bears for as much as \$80,000, and a \$3 million residence for Walsh's ex-wife.

Efforts are ongoing to account for and locate pool participant funds.

### **Five Relief Defendants Also Named**

In addition, Westridge Capital Management Enhancement Funds Inc., WG Trading Company LP, WGI LLC, K&L Investments, and Janet Walsh are named in the complaint as relief defendants because they received funds as a result of defendants' fraudulent conduct and have no legitimate entitlement to those funds.

In the continuing litigation, the CFTC seeks restitution, disgorgement, civil monetary penalties, and permanent injunctions against further violations of the federal commodities laws and against further trading.

The CFTC greatly appreciates the assistance of the National Futures Association, the office of the United States Attorney for the Southern District of New York, the Federal Bureau of Investigation, and the Securities and Exchange Commission.

The following CFTC Division of Enforcement staff members are responsible for this matter: Patricia Gomersall, JonMarc Buffa, Joseph Rosenberg, Peter Haas, Paul Hayeck, and Joan Manley.

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