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Ex-WG Trading Compliance Officer Pleads Guilty to Fraud

By CHAD BRAY

NEW YORK -- The former chief compliance officer at broker-dealer WG Trading Co. LP pleaded guilty Tuesday to criminal charges in connection with more than \$100 million in loans allegedly made to her bosses.

Deborah Duffy, 54 years old, of Mahwah, N.J., pleaded guilty to conspiracy, securities fraud and money laundering at a hearing before U.S. District Judge Naomi Reice Buchwald in Manhattan.

"I assisted in the unlawful transfer to my bosses of more than (\$100 million) to my bosses' benefit as loans," Ms. Duffy said before her plea.

The loans were made as promissory notes and Ms. Duffy said she realized the loans weren't being repaid and what they were doing was illegal.

Ms. Duffy, who is cooperating with prosecutors from the U.S. Attorney's office in Manhattan, faces up to 20 years in prison on the securities fraud charge.

On Tuesday, Ms. Duffy, who worked at the firm from March 1991 to February 2009, also was separately charged in a civil complaint in U.S. District Court in Manhattan by the Securities and Exchange Commission.

In its complaint, the SEC alleged nearly \$554 million in investor assets were misappropriated and that Ms. Duffy assisted the firm's general partners in perpetrating the fraud.

Paul Greenwood and Stephen Walsh, WG Trading Co.'s principals, were charged criminally with conspiracy, securities fraud and wire fraud in February.

Prosecutors from the U.S. Attorney's office in Manhattan have alleged Messrs. Greenwood and Walsh, both former owners of the New York Islanders professional hockey team, misappropriated \$550 million of funds invested by charities, university foundations and pension plans and used that money to finance their luxurious lifestyles.

They also have been separately charged by the SEC and the Commodities Futures Trading Commission. In its complaint, the CFTC said the two men fraudulently solicited about \$1.3 billion from individuals and entities since 1996.

Alleged victims include Carnegie Mellon University, which had invested more than \$49 million, and the University of Pittsburgh, which put in more than \$65 million, according to court records.

The SEC claims that Messrs. Greenwood and Walsh used client funds as "their personal piggy bank to furnish lavish and luxurious lifestyles, which include the purchase of multimillion-dollar homes, a horse farm, cars, horses and rare collectibles such as Steiff teddy bears." The CFTC said the Steiff bears were purchased for as much \$80,000 at various auctions.

The CFTC said Messrs. Greenwood and Walsh used more than \$160 million for personal expenses, including buying rare books at auctions.

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