

July 25, 2009

Ex-North Salem Supervisor Paul Greenwood indicted in \$554M investment fraud

By JERRY GLEESON

NEW YORK - Former North Salem Supervisor Paul Greenwood and a business partner were indicted yesterday in U.S. District Court in Manhattan on federal charges of misappropriating \$554 million from the institutional clients who invested with their company.

The indictment came just three days after Deborah Duffy, the chief compliance officer at the business, pleaded guilty to federal charges in the case and agreed to cooperate with investigators.

Greenwood, 62, and Stephen Walsh, 64, of New York City face six felony counts of securities fraud, commodities fraud, wire fraud, money laundering and conspiracy to commit securities and wire fraud.

The U.S. Attorney's Office and federal regulators accused Greenwood, Walsh and Duffy of misusing their clients' money for 13 years to finance lavish personal lifestyles. WG Trading Co. of Greenwich, Conn., and its affiliates, solicited more than \$7.6 billion from college and charitable foundations, pension and retirement plans, and other institutions, the indictment said.

Greenwood and Walsh promoted an investment strategy called equity index arbitrage. It involved the buying and selling of stocks, through futures contracts, in index funds. The material that was provided to investors described the strategy as low-risk, but also said it had outperformed the Standard & Poor's 500 Index for more than 10 years, the indictment said.

It accused Greenwood of taking \$80 million in investor cash, and Walsh of taking \$51 million in investor cash, from 1999 through February of this year. The two men also used investor money to pay earnings to investors and to write off unprofitable investments, the indictment charged.

Greenwood and Walsh wrote promissory notes totaling \$554 million to WG Trading to conceal the scheme, the indictment said.

The two were freed on \$7 million bail after their Feb. 25 arrest by the FBI. Greenwood resigned as town supervisor March 5. Their next court date was not available yesterday afternoon, and Greenwood's attorney did not return a call for comment.

The indictment seeks the return of \$131 million in restitution from the two men. They also face 20 years in prison if found guilty of securities fraud, 20 years on wire fraud, and 10 years on commodities fraud and money laundering.

Write to Jerry Gleeson at jgleeson@lohud.com