

[Securities Regulation Daily Wrap Up, FRAUD AND MANIPULATION—S.D. Fla.: Court orders \\$1 billion judgment against operators of Ponzi scheme targeting elderly investors, \(Jan. 29, 2019\)](#)

Securities Regulation Daily Wrap Up

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By Rebecca Kahn, J.D.

Along with multimillion dollar judgments against an array of shell companies entered in late 2018, the chief perpetrator of a fraud scheme that ensnared 8,400 investors was fined \$100 million.

A federal court in Florida has ordered Woodbridge Group of Companies LLC and its former owner to pay \$1 billion in penalties and disgorgement for operating a Ponzi scheme that targeted mostly elderly investors ([SEC v. Shapiro](#), Dec. 27, 2018, Cooke, M.).

The Honorable Judge Marcia G. Cooke of the U.S. District Court for the Southern District of Florida has approved judgments against [Woodbridge](#) and its 281 related companies, ordering them to pay \$892 million in disgorgement. The court ordered former owner and CEO [Robert H. Shapiro](#) to pay a \$100 million civil penalty and to disgorge more than \$18.5 million in ill-gotten gains plus \$2.1 million in prejudgment interest.

In December 2017, the SEC filed an emergency action charging the company and other defendants with operating a massive \$1.2 billion Ponzi scheme that defrauded 8,400 retail investors nationwide, many of them seniors who had invested retirement funds. The SEC's complaint alleged that Shapiro made Ponzi payments to investors and used a web of shell companies to conceal the scheme. The complaint charged that when Woodbridge's fictitious business model collapsed, the company stopped paying investors and filed for Chapter 11 bankruptcy protection.

The court's disgorgement order against Woodbridge and related corporate defendants will be deemed satisfied by a Liquidation Trust being formed under a plan in the Woodbridge Chapter 11 case in the U.S. District Court for the District of Delaware (Case No. 17-12560-KJC). The Liquidation Trust will be obligated to make distributions of net proceeds from the disposition of the defendants' assets in bankruptcy. The amount to be distributed will depend upon the amounts collected by the Liquidation Trust.

All defendants and relief defendants, without admitting or denying the SEC's allegations, consented to the entry of final judgments which also permanently prohibit the defendants from violating the antifraud and other provisions of the federal securities laws.

RS Protection Trust and several relief defendants were collectively ordered to pay \$5.3 million in ill-gotten gains and interest. Shapiro also consented to the entry of an SEC administrative order, without admitting or denying the SEC's findings, permanently barring Shapiro from association with any broker, dealer, investment adviser, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization, and from participating in any offering of a penny stock.

The case is [No. 17-24624](#).

Attorneys: Christine Nestor for the SEC. Elan Abraham Gershoni (DLA Piper) for Robert H. Shapiro.

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