

## [Securities Regulation Daily Wrap Up, ENFORCEMENT—D. Conn.: Final judgment entered against Ponzi-scheming fund manager, \(May 25, 2017\)](#)

Securities Regulation Daily Wrap Up

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By Rebecca Kahn, J.D.

A Connecticut federal court has entered final judgment against a fund manager who perpetrated a massive Ponzi scheme, bilking investors out of hundreds of millions of dollars. Summary judgment was entered against him in April and he was ordered to pay a civil monetary penalty of \$1 million and disgorge \$25.8 million in ill-gotten gains. The fund manager is currently serving a 13-year prison sentence after his guilty plea and criminal conviction in a parallel case. His pro se denials were found to be conclusory, speculative, self-serving, or unsupported by evidence (*SEC v. Illarramendi*, May 24, 2017, Arterton, J.).

**Criminal case.** In 2011, the SEC charged former Connecticut-based fund manager Francisco Illarramendi and various entities owned or controlled by him (including investment advisers Highview Point Partners LLC, and Michael Kenwood Capital Management LLC) with engaging in a multi-year Ponzi scheme. He pleaded guilty, was convicted and is currently serving a sentence of 13 years in federal prison. Also in 2011, the court appointed a receiver to marshal the assets of a number of entities formerly owned or controlled by Illarramendi and his companies. The receiver has already distributed more than \$352 million to Illarramendi's victims, according to an SEC press release.

**Effect of admissions.** Summary judgment was [granted](#) on April 13, 2017, wherein the court found no genuine issue of material fact, given the fund manager's admissions and the preclusive effect of his guilty plea in the criminal case. As he testified under oath in the SEC case, and as he admitted under oath during his guilty plea, Illarramendi made materially false and misleading representations to hedge fund investors to conceal that he had lost money in certain investments. He then engaged in a scheme to defraud investors to conceal the loss, using money from new investors to pay out returns promised to old investors.

The district court entered final judgment against Illarramendi, ordering him to disgorge \$25,844,834 in ill-gotten gains and pay a \$1 million civil penalty for violating Sections 206(1), (2) and (4) of the Investment Advisers Act of 1940. In addition, he was permanently enjoined against future violations of the Investment Advisers Act.

The case is [No. 3:11cv-78 \(JBA\)](#).

Attorneys: John B. Hughes, U.S. Attorney's Office, for the SEC. Francisco Illarramendi, pro se.

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