



U.S. Securities and Exchange Commission

SEC Halts \$105 Million Ponzi Scheme by U.S. Virgin Islands-Based Money Manager

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Washington, D.C., June 28, 2010 — The Securities and Exchange Commission today announced fraud charges and an emergency asset freeze against a purported fund manager based in the U.S. Virgin Islands who perpetrated a \$105 million Ponzi scheme against investors.

Additional Materials

- ▶ [Litigation Release No. 21579](#)
 - ▶ [SEC Complaint](#)
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The SEC alleges that Daniel Spitzer, a resident of St. Thomas, used several entities and sales agents to misrepresent to investors that their money would be invested in investment funds that, in turn, would be invested primarily in foreign currency. Investors were falsely told that Spitzer's funds had never lost money and historically produced profitable annual returns that one year reached over 180 percent. Spitzer instead used money raised from new investors to pay earlier investors, and misappropriated investor funds to pay unrelated business expenses. He concealed his scheme by issuing phony documents to investors that led them to believe their investments were profiting.

The SEC has obtained an emergency court order freezing the assets of Spitzer and his companies.

"Daniel Spitzer ran an elaborate Ponzi scheme that he disguised by moving investor money through a complex network of foreign bank and brokerage accounts," said Merri Jo Gillette, Director of the SEC's Chicago Regional Office. "He deceived investors into believing that he was using a sophisticated investment strategy that didn't really exist."

According to the SEC's complaint, filed in U.S. District Court for the Northern District of Illinois, Spitzer conducted his fraudulent scheme, which involved 400 investors, from at least 2004 to present. He only invested approximately \$30 million of the more than \$105 million he raised from investors. Of that amount, Spitzer used approximately \$13.5 million to invest through an offshore entity via a bank account in the Netherlands Antilles. These investments, some of which were placed in a French financial institution, lost money and were subsequently liquidated. Spitzer used another \$16 million to invest in money market funds that earned only a few thousand dollars. Spitzer liquidated these investments as well. After

the investments were liquidated, the money was returned to Spitzer, and he used it to repay investors in Ponzi-like fashion. To cover up his scheme, Spitzer issued to his investors false Schedule K-1s that showed inflated returns and led them to believe that their investments were profitable.

The SEC's complaint alleges that Spitzer used offshore bank accounts to pay purported business expenses of his companies. Spitzer deposited investor funds into bank accounts at the National Bank of Anguilla and the First Bank of Puerto Rico, from which he paid more than \$15 million in purported operating expenses and payments to himself and various sales agents. Spitzer also used more than \$4.8 million to pay third-party business expenses. The SEC further alleges that Spitzer led an extravagant lifestyle and spent more than \$900,000 at a Las Vegas casino.

According to the SEC's complaint, Spitzer's scheme is on the verge of collapse as he has attempted to delay and avoid paying investor redemptions. As recently as March 2010, Spitzer obtained \$100,000 from an investor for an investment in one of his purportedly more conservative investment funds. Rather than invest the money, Spitzer used a portion of the money in April 2010 to pay other investors and third-party expenses.

At the SEC's request for emergency relief for investors, the Hon. Harry D. Leinenweber of the U.S. District Court for the Northern District of Illinois issued an order freezing all assets of Spitzer and his companies. Among other things, the court order requires that the defendants repatriate to the U.S. all assets located overseas.

The SEC's complaint charges Spitzer and the defendant entities with violations of Section 17(a) of the Securities Act of 1933, Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder. The complaint also charges Spitzer and two of the asset management companies with violations of Section 206(1), 206(2) and 206(4) of the Investment Advisers Act of 1940 and Rule 206(4)-8 thereunder. The complaint also seeks a court order of permanent injunction against Spitzer and each of the defendant entities, as well as an order of disgorgement including prejudgment interest. The complaint also seeks financial penalties against Spitzer and five of the asset management companies.

The SEC's investigation was conducted by Natalie G. Garner, Wilburn Saylor, James G. Lundy, Andrew P. O'Brien, Barry Isenman and Peter K.M. Chan of the Chicago Regional Office. The SEC acknowledges the assistance of the Commodity Futures Trading Commission, Irish Financial Regulator, Danish Financial Supervisory Authority, Autorité des marchés financier in France, the Ontario Securities Commission and the Financial Intelligence and Investigations Unit Attached to the Royal Anguilla Police Force in Anguilla.

The SEC's investigation is continuing. Investors with questions or information about this matter may call the SEC's Chicago Regional Office's telephone line dedicated to the case at (312) 353-0626.

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[Home](#) | [Previous Page](#)

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