

Peter Shakow Comments on Alleged Ponzi Scheme Case in Los Angeles Business Journal

Bird Marella Principal Peter Shakow discussed one of the biggest Ponzi schemes ever alleged by authorities in Los Angeles in the article, “Regulators Allege Huge Fund Fraud” published by the *Los Angeles Business Journal*.

Earlier this month, the SEC unveiled accusations that Velocity Investment Group Inc. and its owner Michael Wang raised more than \$150 million from overseas investors, promising exorbitant returns based on investments in real estate, but instead making interest payments to earlier investors using money raised from new investors. According to a declaration by the company’s former accounting manager, Velocity lost millions during the real estate crunch as its mortgages went into default. At Wang’s direction, the accounting manager asserted, Velocity began overstating the value of its assets by tens of millions of dollars to hide the truth from investors, who otherwise would have demanded to be cashed out.

Mr. Shakow agreed that the pattern alleged is typical of a Ponzi scheme, but raised cautions about drawing too many conclusions just yet.

Though the case against Wang looks bad, Mr. Shakow commented, “it always looks the worst when you’re just hearing from one side.” The accounting manager could be a flawed witness and there may be legitimate explanations for some of the allegedly suspicious transactions. Mr. Shakow further noted, “things often happen at trial that are totally unpredictable.”

Moreover, he said, “it’s rare that someone starts out trying to orchestrate a Ponzi scheme. [Instead], a common mentality of people accused of fraud is that ‘I’m one step away from cleaning all this up.’” But when the business doesn’t materialize or its assets decrease in value, those businesspeople end up engaging in desperate measures to cover up those losses.