

# Villages resident tied to massive Ponzi scheme agrees to repay \$1M made from fraudulent securities



A resident of The Villages retirement community about 50 miles northwest of Orlando was involved in a \$2.1 billion Ponzi scheme, according to federal prosecutors. (Sentinel file photo)



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**L**ynette Robbins was a resident of **The Villages** retirement community when she and her company raised as much as \$147 million by convincing hundreds of investors — many of them seniors — to buy what were deemed “safe and secure” securities, according to court documents filed by federal prosecutors.

But what the investors didn’t realize — many of whom handed over large chunks of their retirement savings — was that Robbins and her home-based company, Knowles Systems Inc., were part of a massive \$1.2 billion Ponzi scheme that defrauded 8,400 investors from around the country over nearly four years by selling unregistered securities tied to nonexistent properties, according to the **U.S. Securities and Exchange**

## Commission.

The accused architects of the scheme, the Woodbridge Group of Companies LLC, its 281 related businesses and its former owner Robert H. Shapiro were ordered on Jan. 28 to pay \$1 billion in penalties by a South Florida federal court.

Robbins — who was licensed as a cosmetologist in Massachusetts — and her company, Knowles Systems Inc., settled separately in August with prosecutors. As part of that agreement, Robbins didn't admit or deny the allegations by federal regulators. But she and the Knowles Company agreed to return more than \$1 million of the money made from fraudulent securities plus interest. Robbins also agreed to pay a \$100,000 civil penalty, according to court documents.

Federal prosecutors said Robbins, 73, and her company were the highest-earning agents for Woodbridge, and she received more than \$8 million in commissions by selling notes that promised as much as 8 percent interest for her investors, federal officials said in documents. The minimum investment her company would accept to buy Woodbridge securities was \$25,000.

Robbins couldn't be reached for comment. Commission officials in Miami said they couldn't release the names of defrauded investors, so it's not publicly known whether residents of The Villages, a sprawling retirement community about 50 miles northwest of Orlando, were affected.

According to Sumter County property records, Robbins and Theodore Leutz own a 2,774-square-foot home on Evans Way in The Villages that they purchased in March 2017 for \$730,000. In March, the couple sold their second Villages home — a 2,000-square-foot so-called designer home — for \$361,000.

Here's how the fraudulent scheme worked, according to court documents:

Beginning around March 2014 and continuing through December 2017, Robbins and her company hired so-called "media-influencers" who advertised Woodbridge securities "as safe and secure" to investors through television commercials, radio ads and internet-based programs. Neither Robbins nor her company was ever registered with the Securities and Exchange Commission to sell securities, court documents said.

Woodbridge primarily sold — through agents such as Robbins and others — 12- to 18-month promissory notes bearing 5 percent to 8 percent interest that were described as commercial mortgages. The advertisements — which Robbins distributed — called the Woodbridge notes "a simple, safer and more secured opportunity for individuals to achieve their financial objectives," according to court documents.

Woodbridge brochures told investors the revenue source for their interest payments was the 11 percent to 15 percent interest the company would receive from one-year loans made with investors' money to third-party commercial property owners, according to court documents.

However, "Woodbridge's claim to be making high interest rate loans to 'third party' borrowers was a lie,"

federal prosecutors said in court documents. “In reality, Woodbridge’s business model was a sham.”

Instead, money from investors was used by Shapiro and other Woodbridge officials to secretly purchase almost 200 residential and commercial properties mostly in Los Angeles and Aspen, Colo., according to court filings.

Woodbridge officials then told investors “to rollover their investment into a new note at the end of the term, so as to avoid having to come up with the cash to repay the principal,” prosecutors told the court. Investors who didn’t roll over their notes were paid from funds from new investors “in classic Ponzi scheme fashion,” federal prosecutors said.

A Ponzi scheme is basically a financial plan in which early investors are paid returns on their investments from money coming in from later investors, rather than from legitimate investments.

Federal prosecutors said Woodbridge defrauded 8,400 investors nationwide and alleged that Shapiro made Ponzi payments to investors by using a web of shell companies to conceal the scheme.

But after Woodbridge filed for bankruptcy in December 2017, most investors lost their principals and were never paid the interest they were promised. The federal court in South Florida also ordered Shapiro to pay a \$100 million civil penalty and to give up \$18.5 million and \$2.1 million in interest, as part of last month’s settlement agreement.

“Mr. Shapiro and other defendants will be held accountable and required to pay substantial penalties for the misconduct,” Stephanie Avakian, co-director of the commission’s division of enforcement, said in a written statement.

Shapiro and all the other defendants in the case didn’t admit or deny the commission’s allegations as part of the settlement agreement.

Los Angeles bankruptcy attorney Kathy Bazoian Phelps, an expert on Ponzi schemes, said many times Ponzi schemes go undetected because the original company dissolves. Investors then realize they’ll never get their money back, are too embarrassed to tell anyone and “take their lumps and move on.”

So what can investors do to protect themselves from Ponzi schemes? Do some independent research and ask a lot of hard questions, said Phelps, who wrote the book “Ponzi-proof Your Investments, An Investor’s Guide to Avoiding Ponzi Schemes and other Fraudulent Investments.” Investors, for example, should look at a company’s audited financial statements.

Phelps added that many investors are lured into Ponzi schemes and other frauds by unwitting relatives or friends.

“People are inclined to trust” someone they know, she said.

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