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## Financial Fraud Alert

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**Who:**        *Plaintiffs:* Jonathan Landow  
                 *Defendant:* Wachovia Securities, LLC, Wells Fargo Advisors, LLC, Robert William Eddy, George M. Gordon III, Walter R. Anderson and Walter Randolph Anderson, Jr.

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**What:**        This complaint stems from a Ponzi scheme allegedly perpetrated through two companies, Derivium Capital, LLC and Bancroft Ventures, LLC. According to the complaint, Derivium and Bancroft engaged in a “fraudulent . . . scheme known as the 90% Loan Program.” The allegations state that the 90% Loan Program was “marketed to the general public . . . as a way for owners of securities to borrow up to 90% of the value of the securities without creating a taxable event.” The Ponzi scheme allegedly involved soliciting individuals to pledge securities as collateral for loans that had a 27 to 38 year maturity. Once those securities were pledged as collateral, however, the allegations state that that the securities were sold and 10% of the sales proceeds were “converted, dissipated, and distributed to the Derivium Principals.”

Although the program was allegedly marketed to “deliver three powerful benefits: liquidity, . . . hedging, . . . and opportunity so you can keep your equity assets working for you,” the plaintiff alleges that “when Derivium had received the securities as collateral, they sold the collateral immediately through the brokerage accounts.” According to the complaint, the defendant Wachovia Securities, LLC (n/k/a Wells Fargo Advisors LLC) “intentionally and substantially aided in . . . Derivium’s fraudulent 90% Loan scheme” by “len[ding] its name . . . to provide credibility” and by “help[ing] carry out Derivium’s fraudulent scheme.” The complaint further alleges that the defendants “helped the Derivium principals and their alter-ego entities design, promote and implement the Derivium Program.” Additionally, the complaint alleges that the defendants “knew at all times that the Derivium Program was a fraud and that the . . . funds were being diverted to Derivium owned companies and [defendants] had a duty to disclose that fact to borrowers, including plaintiff....”

Based on these allegations, the complaint alleges four causes of action against the defendants: (i) Fraud; (ii) breach of fiduciary duty; (iii) aiding and abetting breach of fiduciary duty; and (iv) breach of NASD and NYSE rules. According to the complaint, the plaintiff seeks compensatory damages in the amount of \$5,000,000, attorneys' fees and costs, pre-judgment interest and treble damages.

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**Where:** United States District Court for the Eastern District of New York

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**When:** June 29, 2012

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For additional information, please contact:

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