

Decade Long Ponzi Scheme Comes to an End

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In February of 2014, Deepal Wannakuwatte was arrested by the FBI for committing one of the longest running ponzi schemes in Sacramento history. Wannakuwatte's white-collar crime came to an end and he was charged with three cases of fraud and incurred \$3 million in fines. For more than ten years he convinced over 150 investors to trust in his Sacramento based companies, International Manufacturing Group (IMG) and Relyaid Global Heath Care. Wannakuwatte fraudulently earned over \$230 million from these investors, which included individuals, businesses, government agencies, and financial institutions. In November he was sentenced to 20 years in prison and to pay restitution to his victims. Since his sentencing, both of his businesses have filed for bankruptcy and Wannakuwatte has also personally filed for bankruptcy.

The Scam

Wannakuwatte made this scam work by convincing the investors and lenders that his businesses were associated with the international manufacturing and sale of latex gloves, and that they earned tens of millions of dollars from business with government agencies, specifically Veteran Affairs. He would tell them that the contracts were for \$125 million when in reality they were only for \$25,000. The contracts were real, but the amount of money they were for was significantly less. This is the same with his two businesses, both were real but both had been losing money for years. To convince the investors to invest he would show phony documents and tax statements and would set up fake conference calls that were between himself, the victim, and someone who acted as a representative from the VA. In the beginning Wannakuwatte would pay his early investors to appease them but as the scam began to grow and more investors were involved he could not repay money to everyone. The downfall of this scam began when a business associate of one of the victims contacted the FBI because he believed that Wannakuwatte was victimizing his associate.

The investigation began in September 2013 and took several months of going through all of the business records, interviewing employees and victims, analyzing documents, etc. All of this led to law enforcement discovering how the scam worked and arresting Wannakuwatte.

The Trial and Punishment

Wannakuwatte was arrested in February of 2014 and was charged with 3 accounts of fraud and fines up to \$3 million. On August 7, 2014, Wannakuwatte was supposed to be sentenced, but when he walked into court he announced that he was firing his lawyer, Donald Heller. He said that Heller had coerced him into pleading guilty, which Heller responded to saying it was “absolutely false.” This led to the district judge postponing the sentencing indefinitely, telling the victims that Wannakuwatte’s right to be represented by a lawyer trumped their disappointment in the delaying of the sentencing. It is believed that this action taken by Wannakuwatte was to leave the case in a state of incompleteness for a longer period of time. The new defense attorney for Wannakuwatte was Philip Cozens, who now had to go through the whole case before another sentencing could be scheduled. When Heller was still Wannakuwatte’s attorney, there was a plea agreement set up which subjected him to a twenty year sentencing in prison and that he had to surrender multiple properties including; houses and land, bank accounts, vehicles, and business interests. These would be used to give restitution to the victims. During the final sentencing in November, nine of the victims spoke. Just a few of the words used to describe Wannakuwatte by these victims included; evil, a liar, a thief, a sociopath, and a cheater. The prosecutor described him as someone who preyed on the elderly investors and convinced them to invest their retirement savings, leaving many with no retirement. One victim who spoke at the trial stated that he had now had to delay his retirement and sell his house to survive. Wannakuwatte made a written apology that his attorney read for him at the trial. He will be eligible for parole in 17 years.

The Repercussions

The 150 plus investors and victims of this scam lost so much. Many lost thousands to millions of dollars and were left with nothing. Amongst them are: Byron Younger Jr. who is owed \$19 million, Cemo Family Charitable Foundation who is owed \$7.1 million, GE Capital Corporation who is owed \$3 million, Jack Sweigart who is owed \$19.9 million, Larry Carter who is owed \$6.8 million, and so many more. Since Wannakuwatte and both of his businesses have filed for bankruptcy the prospects for restitutions for the victims are worrying. Many of the investors were unsecured creditors, who will be paid after the secured creditors who are owed a total of \$13.6 million. This leaves many of the unsecured creditors worried that they will receive a small restitution, if anything at all. Another consequence of the scandal is that a bankruptcy trustee is suing multiple victims. Beverly McFarland believes that certain victims were involved in the scam. The victims being sued are Jack Sweigart, Larry Carter, Byron Younger Jr., and General Electric Capital Corporation. Sweigart, Carter, and Younger are accused of aiding Wannakuwatte in acquiring investors and loans. It is thought that they also formed an insurance company to give letters of credit to Wannakuwatte, supplied blank business invoices, and were able to get their money out ahead of others. She is also accusing GE Capital of knowing of the scam and still accepting millions of dollars from Wannakuwatte. Sweigart and Carter's lawyer called the lawsuit "frivolous" and that it is accusing the people who first turned in Wannakuwatte to the FBI. Nonetheless, the damage done by this decade long ponzi scheme will never be reversed. It has harmed many people and left them in horrible financial conditions that lead to many other problems in people's lives.

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