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DLA Piper Atty Can't Shake Ponzi Tie Suit, Judge Told

By [Carolina Bolado](#)

Law360 (January 19, 2021, 7:28 PM EST) -- Real estate investors have urged a Florida federal judge not to toss their proposed class claims that a [DLA Piper](#) attorney and his previous firm, [Fox Rothschild LLP](#), took part in a Ponzi scheme, arguing the complaint adequately alleges how the lawyer helped sell securities he purportedly knew were illegal.

In a response filed Friday to a motion to dismiss, the investors say DLA Piper partner Paul Wassgren did not need to know that his former client EquiAlt LLC, a Tampa real estate firm, was running a Ponzi scheme in order to be held liable. The [U.S. Securities and Exchange Commission](#) sued EquiAlt in February 2020 on allegations it operated as a \$170 million Ponzi scheme.

They investors say their complaint lays out in detail how Wassgren knew that the unregistered securities from EquiAlt were being illegally sold through integrated public offerings by unlicensed sales agents and how he vouched for the unregistered sales to investors, sales agents and state securities investigators.

"Defendants are liable if — as Plaintiffs allege — they substantially assisted the fund promoters in illegally selling the EquiAlt Securities without registration, that the offering materials were riddled with misstatements and omissions, and that the securities were being illegally sold by unlicensed financial advisors," the investors said. "Whether EquiAlt was a Ponzi scheme destined to collapse is not a necessary element of Plaintiffs' claims."

Investors affected by the scheme sued Wassgren and the two law firms in July. In an amended complaint filed in August, the investors allege that EquiAlt and its promoters "could not have perpetuated the massive fraudulent Ponzi scheme without the active assistance and participation of their lawyers."

But [Wassgren said](#) the complaint "fails to allege any specific facts to support the notion that Wassgren knew his clients were ignoring his advice or had any motive to assist in their alleged fraud."

"In reality, this case presents a massive overreach — an attempt to blame an attorney for the alleged misdeeds of one of his clients," he said.

The investors point to Wassgren's extensive experience as a securities attorney, saying it is implausible that an attorney with his background would be "unaware of the flagrant securities violations or unwittingly duped into substantially assisting faithless clients."

"The details of the evasion of registration requirements laid out below make it highly implausible, to use Defendants' word, that the principals could have done this without knowing assistance from a sophisticated securities attorney like Wassgren," the investors said.

The SEC says more than 1,100 investors were duped into believing their money would be used to buy real estate in distressed markets around the U.S. The suing investors claim Wassgren "aided and abetted" the scheme for years by drafting the private offering documents for EquiAlt's fraudulent securities.

The SEC's enforcement action doesn't target or mention Wassgren, DLA Piper or Fox Rothschild.

Wassgren first began working with EquiAlt while he was a partner at Fox Rothschild and resumed when he joined DLA Piper in 2017.

Attorneys for the investors and Wassgren did not respond to requests for comment on Tuesday.

The investors are represented by Adam M. Moskowitz and Adam A. Schwartzbaum of [The Moskowitz Law Firm PLLC](#), Andrew S. Friedman and Francis J. Balint of Bonnett Fairbourn Friedman & Balint PC, **Jeffrey R. Sonn of the [Sonn Law Group PA](#)**, David S. Casey Jr., Gayle M. Blatt, James M. Davis and Jeremy Robinson of [Casey Gerry Schenk Francavilla Blatt & Penfield LLP](#) and Leonard B. Simon of [Robbins Geller Rudman & Dowd LLP](#).

Paul Wassgren is represented by Simon A. Gaugush, D. Matthew Allen and Erin J. Hoyle of [Carlton Fields](#).

DLA Piper is represented by John K. Villa, David S. Blatt and David M. Horniak of [Williams & Connolly LLP](#) and [Arthur Lee Bentley III](#), Giovanni P. Giarratana and Jason Paul Mehta of [Bradley Arant Boult Cummings LLP](#).

Fox Rothschild is represented by David R. Atkinson, Justin Patrick Bennett, Lauren Vickroy Purdy and William J. Schifino Jr. of [Gunster Yoakley & Stewart PA](#).

The case is Gleinn et al. v. Wassgren et al., case number [8:20-cv-01677](#), in the [U.S. District Court for the Middle District of Florida](#).

--Additional reporting by J. Edward Moreno. Editing by Jill Coffey.

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