SEC charges real estate developer with fraud in Ponzi scheme

The U.S. Securities and Exchange Commission (SEC) filed an emergency action Thursday against New York State real estate developer Robert Morgan, accusing him of fraud for siphoning and misusing investor funds.

The SEC is seeking an asset freeze and other emergency relief, including the appointment of a temporary receiver over the relevant funds.

Robert Morgan | Photo credit: Morgan Communities on Facebook

“In seeking this emergency relief, the SEC is acting to protect current and potential future victims of this elaborate scheme by halting Morgan’s fraud, which we allege involves the improper use of more than $25 million dollars in investor funds,” Daniel Michael, chief of the SEC’s division of enforcement’s complex financial instruments unit, said in a statement.

The complaint, filed in federal court in Buffalo, New York, alleges that Morgan financed his development projects in a number of different ways, including the sale of securities directly to more than 200 retail investors, many of whom invested through retirement accounts, according to the SEC.

Morgan raised more than $80 million and told investors that the money would be used to improve multi-family properties, however, he diverted those investors funds to facilitate Ponzi-scheme-like payments to earlier investors. He is also accused of allegedly using more than $11 million in funds to repay a fraudulently-obtained loan for an unrelated multi-family project.

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Morgan and his two entities — Morgan Mezzanine Fund Manager LLC and Morgan Acquisitions, LLC — are being charged with violating the antifraud provisions of the federal securities laws.

In addition to requesting an order freezing Morgan's assets, the SEC complaint seeks permanent injunctions, disgorgement of ill-gotten gains with prejudgment interest, civil penalties, and a permanent receiver over the entities.

Morgan is also facing lawsuits involving the alleged scheme. A Florida company is suing him for $2.5 million for fraud, accusing him of using a phony loan to inflate the mortgage of a Watertown apartment complex, according to the *Rochester Democrat and Chronicle.*

Morgan Communities — the multi-family management company founded by Morgan — manages a portfolio of more than 140 properties and more than 34,000 units across 14 states, according to the company's website.

Both Morgan's son and nephew were previously indicted on wire fraud and bank fraud.

Morgan did not immediately respond to a request for comment.

Email Patrick Kearns

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