

ADMINISTRATIVE PROCEEDING

File No. 3-17342

SEC Charges Firm and its President for Misleading Investors in Litigation Financing Funds

July 14, 2016 – The Securities and Exchange Commission today announced fraud charges against a litigation funding firm and its president for misrepresenting the type and diversification of assets under management in two funds.

The SEC's Division of Enforcement alleges that RD Legal Capital, LLC and Roni Dersovitz marketed RD Legal-branded funds as opportunities to invest in receivables connected to attorneys' fees for settled litigations. In fact, Dersovitz and RD Legal invested a majority of the funds' money in unsettled cases, cases unaffiliated with any law firm, and other cases for which collection was still subject to significant litigation risk.

According to the SEC's order instituting a litigated administrative proceeding, investors were told through numerous written and oral presentations that the RD Legal-branded funds purchased attorneys' fees in settled cases. In addition, RD Legal and Dersovitz trumpeted the diversification of the positions as an important aspect of the funds' strategy to limit risk and touted the reasons why investing in attorneys' fees from settlements (as opposed to ongoing litigations) was safe.

Despite these statements to investors, by June 2011, over 40% of the assets under management were invested in receivables subject to ongoing litigation. The percentage of the funds' investments in unsettled cases steadily rose from 2011 through 2015 to over 80% of the funds' assets. For example, by December 2013, over 60% of the funds' assets were invested in a default judgment still in litigation associated with the Iranian terrorist bombing of the U.S. Marine Barracks in Beirut. RD Legal and Dersovitz began investing the funds' money in this case as early as 2010, and the concentration of this investment in the RD Legal-branded funds increased through the end of 2014, despite RD Legal's and Dersovitz's contrary representations to numerous investors.

RD Legal and Dersovitz are charged with violating Section 17(a) of the Securities Act of 1933, Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder. Dersovitz is also charged with aiding and abetting RD Legal's violations. The matter will be scheduled for a public hearing before an administrative law judge, who will prepare an initial decision stating what, if any, remedial actions are appropriate.

The SEC's investigation was conducted by Jorge Tenreiro, Victor Suthammanont, and Sandeep Satwalekar of the New York office with assistance from Kenneth Gottlieb and Jordan Baker. The Enforcement Division's litigation will be led by Michael Birnbaum, Mr. Tenreiro, and Mr. Suthammanont. The case is being supervised by Lara Shalov Mehraban.

See also: [Order](#)