

United States Department of Justice

For Immediate Release

July 12, 2010 **United States Attorney's Office**
Central District of California

**Long Beach Man Sentenced to Six and One-Half Years in Federal Prison
in \$33 Million Ponzi Scheme That Promised Profits in Real Estate**

A 33-year-old Long Beach man who collected \$33 million from investors with false claims of large profits from real estate investments was sentenced today to 78 months in federal prison for running the Ponzi scheme.

Jon Weldon James was sentenced by United States District Judge R. Gary Klausner, who also ordered the defendant to pay \$11,172,412 in restitution.

James pleaded guilty in February to one count of wire fraud arising from a nearly half-million-dollar investment made by a couple who were promised a 20 percent annual return. In his plea agreement, James admitted that he defrauded more than 50 victims who invested in his real estate-related investments from late 2003 through August 2006.

In a sentencing memorandum, prosecutors wrote: "For over three years in the mid-2000s, [James] marketed real estate-related investments to individuals through word-of-mouth techniques, often encouraging them to invest money they had set aside for retirement. During that time, businesses that [James] controlled took in approximately \$33 million from investors but only purchased five pieces of real estate, which never generated any profits for investors." In fact, James acquired real estate only after the California Department of Corporations began looking into complaints about James in November 2005, which was more than two years after James began accepting money from investors.

In the Ponzi scheme, James used investors' money to repay other investors who requested withdrawals of their funds. James also used investor money to pay for personal expenses, which included his wedding at the St. Regis Monarch Beach in Dana Point and a nearly \$900,000 investment in a recording studio and production company called "On the Ball Entertainment."

James ran his scheme through an El Segundo-based venture that operated under a series of names, including J.W. James and Associates, Inc. and The Cloaking Device, Inc.

In total, prosecutors argued in court, James defrauded more than 100 investors and caused losses of approximately \$14.5 million.

The case against James was investigated by the Federal Bureau of Investigation.