

NEWS RELEASE



OFFICE OF THE UNITED STATES ATTORNEY SOUTHERN DISTRICT OF CALIFORNIA San Diego, California

***United States Attorney
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For Immediate Release

CALIFORNIA MAN ADMITS HEDGE FUND WAS A PONZI SCHEME

NEWS RELEASE SUMMARY - September 22, 2011

United States Attorney Laura Duffy announced that John Clement pled guilty today to an information charging him with defrauding investors out of more than \$4.9 million by operating a Ponzi scheme out of his hedge fund, Edgefund Capital, LLC (“Edgefund”). Clement’s plea is subject to final acceptance by United States District Judge Irma E. Gonzalez, who has scheduled a sentencing hearing for Clement on December 20, 2011.

As noted in the charging documents, a Ponzi scheme is an investment fraud that involves the payment of purported returns to existing investors from funds contributed by new investors. Ponzi scheme organizers often solicit new investors by promising to invest funds in opportunities claimed to generate high returns with little or no risk. In many Ponzi schemes, the fraudsters focus on attracting new money to make promised payments to earlier-stage investors and to use for personal expenses, instead of engaging in any legitimate

investment activity. By its nature, the scheme is destined to collapse, as its perpetuation requires an ever-increasing flow of money from new investors to keep the scheme going.

According to the plea agreement and other court records, Clement operated his Ponzi scheme by falsely representing to investors (beginning in March 2007) that Edgefund was a successful hedgefund that specialized in trading stocks on a daily basis. Among other false representations, Clement claimed that investors would make between 1.5% and 2% per month with little or no risk involved. In order to induce investors not to withdraw their funds and/or to send additional money to Edgefund, Clement issued false account statements. These statements falsely indicated that investors were routinely earning substantial positive returns when, in fact, they were not earning any returns (as Clement was using their funds to pay personal expenses).

DEFENDANT

Case Number: 11cr4198IEG

John Clement

SUMMARY OF CHARGES

Count 1: Wire Fraud (18 U.S.C. § 1343): Maximum punishment of 20 years' imprisonment, a fine of \$250,000, and three years supervised release.

AGENCY

Federal Bureau of Investigation