



Department of Justice

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FOR IMMEDIATE RELEASE
MONDAY, JUNE 28, 2010
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HAMILTON MAN PLEADS GUILTY TO \$9 MILLION INVESTMENT FRAUD, MORTGAGE FRAUD

CINCINNATI – James D. Powell, 53, of Hamilton, pleaded guilty in United States District Court here today to operating a Ponzi-style fraud scheme which cost 90 victims more than \$9 million over six years by promising them high rates of return on a portfolio of real estate investments, and defrauded at least two mortgage companies and a private seller out of nearly \$1 million.

Carter M. Stewart, United States Attorney for the Southern District of Ohio, Gerald A. O’Farrell, Assistant Inspector in Charge, U.S. Postal Inspection Service, and Keith L. Bennett, Special Agent in Charge, Federal Bureau of Investigation (FBI), announced the pleas entered today before Senior United States District Judge Herman J. Weber.

According to court documents, Powell created several companies in Hamilton under the names of Capital Investments, Great Miami Debentures, or Great Miami Real Estate and served as the president of the companies. Beginning sometime in 2002, Capital Investments held itself out as an investment company offering attractive rates of return to numerous investors in Ohio, Kentucky, and Indiana on their investment, evidenced by promissory notes and purportedly backed by a real estate portfolio of properties owned and managed by Capital Investments and Great Miami Real Estate.

Powell and a co-conspirator, now deceased, sold investments in the portfolio to numerous victims, many of whom were elderly, unsophisticated, or inexperienced investors. In addition, some of the victims attended the Princeton Pike Church of God in Fairfield, Ohio with one of the conspirators, and some of the investors were also insurance clients of the conspirators.

“The conspirators took advantage of the trust developed through this common church affiliation and prior insurance agency relationship, as well as the lack of financial sophistication of many of the investors,” Stewart said.

Powell took money from new investors to pay off old investors, a type of fraud known as a Ponzi scheme. In addition to the individual investors, Powell admitted defrauding a mortgage company out of \$944,848 by using false documents to get mortgage loans on the properties.

Powell told investors that the number of properties increased from 13 properties to 40 properties and the value of the properties increased from \$4 million to over \$14 million with an overall property equity of about \$10.5 million when, in fact, such purported property values and equity were falsely inflated, most of the properties listed on the portfolios were not purchased with

investor monies but instead were owned by others, and by November 2007 most of such properties were in a state of disrepair, were in default, or were in some stage of foreclosure.

Powell pleaded guilty to one count of conspiracy to commit mail fraud and one count of wire fraud. Each crime is punishable by up to 20 years imprisonment and a fine of up to \$250,000 or twice the gain by the defendant or loss to the victims. Judge Weber could also order restitution.

Judge Weber set a sentencing hearing for Powell on September 28, 2010 at 10 a.m.

Stewart commended the cooperative investigation by Postal Inspectors and FBI agents, and Senior Litigation Counsel Anne Porter, who is prosecuting the case. Stewart also commended Butler County Prosecutor Robin Piper's office and the Ohio Department of Commerce Division of Securities for their role in the investigation.

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