



## *Department of Justice*

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### **PONZI SCHEMER SENTENCED**

#### *John Donnelly Will Spent 90 Months In Prison*

CHARLOTTESVILLE, VIRGINIA -- The Crozet, Virginia man who bilked his friends, family and associates out of more than \$5 million dollars with an intricate Ponzi scheme was sentenced today in U.S. District Court here.

Today in District Court, John Mark Donnelly, 53, was ordered to serve 90 months in prison and five years of supervised release thereafter. In addition, the Honorable Judge Norman K. Moon ordered the former Charlottesville businessman to pay \$5,311,038 in restitution payments to his victims.

In May, Donnelly waived his right to indictment and pled guilty to an information charging him with one count of wire fraud, one count of securities fraud, one count of fraud in connection with futures contracts, and one count of impeding the administration of the internal revenue laws. At that time, he admitted to defrauding over 30 victims.

“In a time when so many of our friends and neighbors are experiencing economic hardships, it is the duty of the United States Attorney’s Office to continue our adamant pursuit of individuals who destroy lives through financial crime. Some of the victims in these cases lose their entire life savings and never fully recover from the economic damage caused by the greedy men and women who perpetrate these schemes,” United States Attorney Timothy J. Heaphy said today.

“Individuals who intentionally jeopardized the financial well-being of their clients through the use of fraudulent high-yield investment schemes will be held account by our legal system. IRS Criminal Investigation Special Agents will use their financial expertise and continue to combat investor fraud and tax crimes,” said Thomas Kelly, Assistant Special Agent in Charge of the IRS Criminal Investigation. “Hopefully this case will help educate future investors and reinforce the fact that investing money is inherently risky. Nowhere is the old adage ‘if it sounds too good to be true, it probably is’ more applicable than here.”

According to information entered into the record previously by Assistant United States Attorney Ronald Huber, Donnelly, through the use of numerous corporations and partnerships he established, devised a scheme to defraud and obtain money from investors through false pretenses.

Specifically, Donnelly devised and marketed a complex securities and futures market trading strategy and told investors he would be investing their money using this strategy. However, the money received by Donnelly was never traded and was actually distributed to other investors.

In order to maintain the scheme, Donnelly sent monthly statement to investors showing fictitious returns. The defendant also sent annual 1099-INT, 1099-MISC and K-1 tax forms to investors. These forms caused many investors to pay income taxes on their fictitious investment returns.

More than 30 investors entrusted over \$5 million to Donnelly between 1998 and 2009. At the time of his March 11, 2009 arrest, the defendant was in the process of raising additional funds from new investors based on fictitious returns previously reported to defrauded investors.

The investigation of the case was conducted by the Federal Bureau of Investigation, the United States Department of Justice Tax Division, the Internal Revenue Service, the Security Exchange Commission and the Commodities Future Trading Commission. Assistant United States Attorneys Stephen Pflieger and Ronald Huber are prosecuted the case for the United States, they were assisted by Department of Justice Tax Division Trial Attorney Gregory Bockin.