

# ***NEWS RELEASE***

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## ***OFFICE OF THE UNITED STATES ATTORNEY SOUTHERN DISTRICT OF CALIFORNIA***

*San Diego, California*

*United States Attorney  
Laura E. Duffy*

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*For Immediate Release*

### **GUILTY PLEA IN LONG-RUNNING INVESTMENT SCHEME**

**DEFENDANT ADMITS HE PERSONALLY SOLICITED  
OVER \$2 MILLION WITH PHANTOM MINING ASSETS**

#### **NEWS RELEASE SUMMARY** – August 20, 2013

San Diego, CA - United States Attorney Laura E. Duffy announced that Douglas Ellingson pleaded guilty today to participating in an investment fraud conspiracy that cheated victims from San Diego and elsewhere out of more than \$2 million. Ellingson admitted that between April 2008 and September 2012, he conspired with co-defendant William Ison and others to fraudulently mislead investors about the nature and security of their investment, and induce victims into wiring money to one of several accounts under Ellingson's control. Ellingson entered his plea to a wire fraud conspiracy before Magistrate Judge Bernard G. Skomal. He is scheduled to appear before U.S. District Court Judge Irma E. Gonzalez on October 28, 2013 for sentencing.

In entering his plea, Ellingson explained that he and Ison first conspired with James Pantazelos in early 2008 to fraudulently solicit investors by falsely promising that investments would be secured by valuable precious minerals obtained by Ison's mining company, Olathe Mining Company ("OMC"). In fact, OMC had not begun mining operations, and its assets consisted of merely mining claims and extraction technology, not actual minerals. Pantazelos previously pleaded guilty in the Northern District of Illinois to one count of mail fraud arising from this scheme involving Ellingson and Ison. (*United States v. Pantazelos*, Case No. 11-cr-50078 (N.D. Ill.)). On February 15, 2013, Pantazelos was sentenced to 114 months in custody and ordered to pay over \$3.3 million in restitution to victims

Ellingson further admitted that beginning in June 2008, he and Ison agreed to fraudulently solicit investments in OMC through Ellingson's new business entity, Capital Advancement Systems ("CAS"). As with the Pantazelos scheme, Ellingson and Ison again fraudulently claimed that investments in CAS would be secured by OMC, although OMC had no liquid assets had not actually mined anything. Later, Ellingson and Ison expanded their falsehoods by fraudulently claiming to investors that funds would be backed by "guarantees" from Ison's new company, Blue Diamond Excavation, Inc. ("BDE"). As Ellingson knew, however, BDE's only assets were OMC's non-liquid assets.

Later, Ellingson and Ison expanded their lies to potential investors by promising (1) that funds sent to CAS would never produce a loss, (2) that funds would be maintained in a bank account under Ellingson's control, and (3) that funds would be used to secure loans for business deals, such that investor funds would never actually be placed at risk. In fact, Ellingson wired almost all of the funds directly to Ison, and was informed that Ison was sending 100% of the victim funds to an investment partner to be used in various business deals.

In order to promote Ison's appearance of wealth to potential investors, Ellingson and Ison falsely claimed Ison was the head of a large non-profit foundation that gave over a "trillion dollars" to various humanitarian causes. They encouraged investors to hand over funds by promising that the profits would be used to support charitable causes.

Ultimately, the victims did not receive promised profits or a return of their original investments. In total, Ellingson personally obtained over \$2 million from victims, almost all of which he wired directly to Ison.

United States Attorney Duffy stated that the prosecution of the wide-ranging conspiracy would continue. She thanked the Federal Bureau of Investigation and Internal Revenue Service - Criminal Investigation, which jointly investigated the matter. United States Attorney Duffy reminded the public to be wary of investment fraud scams that make promises that seem "too good to be true." More information to help you avoid becoming the victim of an investment fraud scheme is located at [www.stopfraud.gov/protect-securities.html](http://www.stopfraud.gov/protect-securities.html).

**DEFENDANT**                      **Case Number:**              **12CR4030-IEG**

Douglas Ellingson              Age: 44

**SUMMARY OF CHARGES**

Count 1:                      Title 18, United States Code, Section 371 (Conspiracy)  
Maximum penalties: 5 years of custody; \$250,000 Fine, or twice the gross gain/gross loss resulting from the offense

**AGENCIES**

Federal Bureau of Investigation  
Internal Revenue Service - Criminal Investigation