

**P R E S S   R E L E A S E**

OFFICE OF THE UNITED STATES ATTORNEY

SOUTHERN DISTRICT OF CALIFORNIA

San Diego, California

December 14, 1993

For further information, call:  
Assistant U.S. Attorney Phillip L.B. Halpern  
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**NEWS RELEASE SUMMARY**

The United States Attorney for the Southern District of California, Alan D. Bersin, announced today the unsealing of a 51 count indictment charging financial investment advisor Harold J. Sherbondy with organizing and operating a multi-million dollar Ponzi scheme that resulted in wire and securities fraud, money laundering and the submission of false tax returns.

As detailed in the indictment, a Ponzi scheme is a fraudulent arrangement in which investors are attracted by the lure of exorbitant profits that can be made by participation in the scheme. The operator of the scheme maintains and promotes this bogus concept by making payments of seemingly large profits to early investors from monies obtained from later investors, rather than from any "profits" of the underlying business venture. In this manner, the operator of the scheme cultivates an illusion that a legitimate profit-making business opportunity exists. This, in turn, attracts additional investors to the Ponzi scheme.

According to Assistant U.S. Attorney Phillip L.B. Halpern who directed the investigation, Sherbondy instituted the scheme by

convincing a number of former PSA employees to invest several million dollars based on false claims that he was making huge profits buying and selling Eurobonds and trading commodities on the Chicago Mercantile Exchange. Among his false claims, Sherbondy represented that he was an extremely wealthy international financier who owned banks in both Texas and England. Sherbondy also told potential investors that he was currently investing money for both the Teamsters' and the Teachers' Credit unions and sitting on the Board of Directors of the Rolex Corporation.

In addition to the numerous false statements and representations regarding his success investing large sums of money, Sherbondy attracted investors by using the funds entrusted to him to lead an extremely lavish lifestyle. Among other things, he utilized a corporate jet and luxury vehicles to conduct business, purchased avocado groves and jewelry, traveled internationally, and bragged about having made billions of dollars through his investments. However, as is the case in all classic Ponzi schemes, because Sherbondy utilized investor funds for personal enrichment (investing only a minimal portion of the total funds in the underlying business venture), the very nature of the scheme dictated that it had to eventually collapse.

As noted by AUSA Halpern, particularly disturbing was the fact that Sherbondy was able to convince numerous PSA employees to invest all of their Individual Retirement Account ("IRA") funds generated by the buy-out of PSA by U.S. Air. These funds were solicited through The Merideth Group, a corporation formed by

investor fraud. According to Bersin, this type of white collar crime which directly affects the lives and businesses in Southern California will be considered a priority during his stewardship. Indeed, today's indictment represents the type of innovative prosecution that the U.S. Attorney believes can be used to deter illegal economic crime in San Diego.

Bersin praised the efforts of the IRS Criminal Division for their efforts in this complex two-year investigation. In particular, the United States attorney applauded their dedication to using the resources of the IRS to assist with the continuing problem with investment fraud schemes in Southern California. The U.S. Attorney also thanked the Federal Bureau of Investigation for their assistance in this lengthy financial investigation.

**DEFENDANT:**

H. Jay Sherbondy  
4975 Goldfield  
Las Vegas, Nevada

Age: 41

**SUMMARY OF CHARGES:**

Indictment No: 93-1605-H

No. of Counts: 51

**Violations & Maximum Penalties:**

Counts 1-11:	Wire Fraud 5 years and/or a \$250,000 fine
Counts 12-33:	Laundering Monetary Instruments 20 years and/or a \$500,000 fine
Counts 34-48:	Money Laundering 10 years and/or a \$250,000 fine
Count 49:	Investment Advisor Fraud 5 years and/or a \$250,000 fine

Counts 50-51:

Filing False Tax Returns  
3 years and/or a \$250,000 fine

**AGENCIES:**

Internal Revenue Service - Criminal Investigation Division

Federal Bureau of Investigation