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CLERK U.S. DISTRICT COURT
CENTRAL DIST. OF CALIF.
LOS ANGELES

UNITED STATES DISTRICT COURT
FOR THE CENTRAL DISTRICT OF CALIFORNIA

UNITED STATES OF AMERICA,)
)
Plaintiff,)
)
v.)
)
JON WELDON JAMES,)
)
Defendant.)

CR No. 10

CR 10 00059

I N F O R M A T I O N

[18 U.S.C. § 1343: Wire Fraud;
18 U.S.C. § 2: Aiding and
Abetting and Causing an Act To
Be Done]

The United States Attorney charges:

COUNT ONE

[18 U.S.C. §§ 1343, 2]

INTRODUCTION

At all times relevant to this information:

1. Defendant JON WELDON JAMES ("JAMES") lived in
Los Angeles County, California.

2. Defendant JAMES controlled numerous business entities
through which he engaged in the investment fraud scheme described
in this information. The business entities included, among

BEK/MRW

1 others: J.W. James and Associates, Inc. ("JWJA"); J.W. James
2 Acquistions, LLC; J.W. Borrowing Entity, LLC; J.W. James
3 Investment Group Fund One, LLC; Virtual Cash Flow Corporation;
4 and The Cloaking Device, Inc. (collectively "the James
5 Entities"). The James Entities generally operated from offices
6 located in Los Angeles County.

7 THE SCHEME TO DEFRAUD INVESTORS

8 3. Beginning in or about December 2003, and continuing
9 until at least in or about August 2006, in Los Angeles County,
10 within the Central District of California, and elsewhere,
11 defendant JAMES, aided and abetted by others known and unknown to
12 the United States Attorney, knowingly and with intent to defraud,
13 devised, participated in, and executed a scheme to defraud
14 investors as to material matters, and to obtain money and
15 property from such investors by means of material false and
16 fraudulent pretenses, representations, and promises, and the
17 concealment of material facts.

18 4. During the course of this scheme, defendant JAMES
19 marketed real estate-related investments to investors. Defendant
20 JAMES solicited funds from individual investors through the use
21 of investment and promissory note agreements. The agreements
22 promised investors a predetermined rate of return, generally
23 ranging from eight to twenty-four percent, for the term of the
24 agreement.

25 5. Defendant JAMES located potential investors through
26 word-of-mouth techniques, including hosting meetings at
27 restaurants at which he gave presentations about his real estate
28 investment offerings. At these meetings, defendant JAMES touted

1 his personal and professional experience in the real estate
2 field, his numerous contacts in the real estate and financial
3 industries, and the past successes he shared with his earlier
4 investors. Defendant JAMES encouraged individuals to invest
5 their savings with him, including money that they had in their
6 Individual Retirement Accounts.

7 6. In carrying out his scheme to defraud, defendant JAMES
8 engaged in, and caused others to engage in, the following
9 materially fraudulent and deceptive acts, practices, and devices,
10 among others:

11 a. Defendant JAMES told investors that he intended to
12 use investor funds to invest solely in real estate
13 and related operational expenses.

14 b. Defendant JAMES told investors that they would
15 profit from the collection of rent and the resale
16 of real estate that had been purchased or would be
17 purchased.

18 c. Defendant JAMES told investors that their
19 individual investment returns would be paid from
20 the profits of the real estate-related
21 investments.

22 d. Some investors received periodic account
23 statements, which purported to show the total
24 amount of funds invested through defendant JAMES
25 and the increased value of that investment.

26 e. At the end of the term of a promissory note
27 agreement, some investors received payments from
28 certain of the James Entities. Defendant JAMES

1 claimed that these payments represented investment
2 earnings derived from real estate-related
3 investments. However, defendant JAMES typically
4 urged investors to forego repayment of their
5 investment and, instead, to "roll over" their
6 investment for an additional period of time.

7 7. Based on the foregoing materially fraudulent and
8 deceptive acts, practices, and devices, defendant JAMES took in
9 approximately \$33 million from investors over the course of the
10 scheme.

11 8. In truth and in fact, as he well knew, defendant James
12 did not invest in real estate-related investments on behalf of
13 investors for most of the period of the fraud scheme. By the
14 time that defendant JAMES's businesses were closed by federal
15 court order in mid-2006, none of the five properties that
16 defendant JAMES purchased using investor funds had generated any
17 profits for investors. Overall, defendant JAMES and his
18 businesses earned no net income from any real estate-related
19 investments during this period.

20 9. Instead of making real estate-related investments as he
21 promised investors, defendant JAMES fraudulently misappropriated
22 investor funds. Defendant JAMES used these funds for, among
23 other things:

- 24 a. His own personal expenses, including the costs of
- 25 his wedding and a luxury vehicle;
- 26 b. The operating expenses of the James Entities;
- 27
- 28

1 c. An investment in a recording studio and production
2 company named "On the Ball Entertainment" and K.B.
3 d.b.a. "On the Ball"; and

4 d. Repaying millions of dollars to investors who
5 requested withdrawals of their investments or
6 making purported interest payments from certain of
7 the James Entities under the guise of investor
8 earnings.

9 10. Moreover, the periodic account statements that
10 defendant JAMES caused to be sent to some investors were false in
11 that the investments of these individuals did not have the
12 increased value stated on the statements.

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THE INTERSTATE WIRING

11. On or about the date set forth below, within the Central District of California, and elsewhere, defendant JAMES, individually and with others known and unknown to the United States Attorney, for the purpose of executing the above-described scheme to defraud, caused the transmission of the following by means of a wire communication in interstate commerce:

COUNT	DATE	WIRE TRANSMISSION
ONE	4/20/05	Wire transfer of \$424,413.70 from a bank account of Pensco Trust Company, on behalf of investor K.T., through the Federal Reserve Bank processing center in New Jersey, to the Union Bank of California account of JWJA in Manhattan Beach, California

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