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9
10 **UNITED STATES DISTRICT COURT**
11 **CENTRAL DISTRICT OF CALIFORNIA**

12 SECURITIES AND EXCHANGE
13 COMMISSION,

14 Plaintiff,

15 vs.

16 JON W. JAMES; J.W. JAMES &
17 ASSOCIATES; J.W. JAMES
18 BORROWING ENTITY, LLC; J.W.
19 JAMES INVESTMENT GROUP FUND
20 ONE, LLC; THE JAMES COMPANY
21 FUND I, LLC; THE JAMES COMPANY
22 BORROWING ENTITY, LLC; VIRTUAL
CASH FLOW CORPORATION; THE
CLOAKING DEVICE, INC.; and J.W.
JAMES ACQUISITIONS, LLC,

21 Defendants.

Case No. **CVU6-4966**
**COMPLAINT FOR VIOLATIONS
OF THE FEDERAL SECURITIES
LAWS**

JSL
(FFM)

23 Plaintiff Securities and Exchange Commission ("Commission") alleges as
24 follows:

25 **JURISDICTION AND VENUE**

26 1. This Court has jurisdiction over this action pursuant to Sections 20(b),
27 20(d)(1) and 22(a) of the Securities Act of 1933 ("Securities Act"), 15 U.S.C. §§
28 77t(b), 77t(d)(1) & 77v(a) and Sections 21(d)(1), 21(d)(3)(A), 21(e) and 27 of the

1 Securities Exchange Act of 1934 (“Exchange Act”), 15 U.S.C. §§ 78(u)(d)(1),
2 78u(d)(3)(A), 78u(e) & 78aa. Defendants have, directly or indirectly, made use of
3 the means or instrumentalities of interstate commerce, of the mails, or of the
4 facilities of a national securities exchange in connection with the transactions, acts,
5 practices and courses of business alleged in this complaint.

6 2. Venue is proper in this district pursuant to Section 22(a) of the
7 Securities Act, 15 U.S.C. § 77v(a), and Section 27 of the Exchange Act, 15 U.S.C.
8 § 78aa, because certain of the transactions, acts, practices and courses of conduct
9 constituting violations of the federal securities laws occurred within this district,
10 and defendant Jon W. James resides in this district.

11 SUMMARY

12 3. This case involves the ongoing fraudulent offer and sale of
13 unregistered securities by Jon W. James (“James”) and a number of entities that he
14 controls: J.W. James & Associates (“JWJA”); J.W. James Borrowing Entity, LLC
15 (“J.W. James Borrowing Entity”); J.W. James Investment Group Fund One, LLC
16 (“Investment Group Fund”); The James Company Fund I, LLC (“James Co.
17 Fund”); The James Company Borrowing Entity, LLC (“James Co. Borrowing
18 Entity”); Virtual Cash Flow Corporation (“Virtual Cash Flow”); The Cloaking
19 Device, Inc. (“Cloaking Device”); and J.W. James Acquisitions, LLC
20 (“Acquisitions”) (collectively, the “Entity Defendants,” and collectively with
21 James, “Defendants”).

22 4. James and the Entity Defendants he controls have been engaged in the
23 fraudulent offering since at least January 2004. Defendants have raised at least
24 \$22 million from more than 99 investors residing primarily in Southern California,
25 with the most recent sale as late as July 28, 2006. Defendants offer and sell
26 securities in the form of promissory notes or limited liability company interests.

27 5. Operating mainly through JWJA, James contacts prospective investors
28 by direct mail and invites them to attend free dinners and retirement planning

1 seminars. At the seminars, James or a JWJA representative under his direction
2 describes JWJA as a successful real estate company providing investors with
3 investment opportunities. Investors are told that their money will be used by
4 JWJA to engage in profitable real estate transactions from which their returns – at
5 times represented to be as high as 24% – will be derived. These representations,
6 however, are false.

7 6. Throughout 2004 and 2005, Defendants paid investors purported
8 interest and principal, but had not purchased *any* real estate or other real estate-
9 related assets. James did not actually complete any real estate purchases until
10 February 2006. And since that time, the five parcels that have been acquired are
11 highly leveraged, and, as of April 30, 2006, none of them have been sold, for a
12 profit or otherwise, or generated anywhere near enough income to pay investors’
13 returns. In fact, from January 2004 through April 2006, James, through the Entity
14 Defendants, paid over \$14 million in purported interest and principal to investors
15 and led the investors to believe their returns had resulted from successful real
16 estate deals that had supposedly secured their investments. Moreover, JWJA has
17 admitted to a state regulatory agency that some of the investors’ money was paid to
18 other investors as principal and interest.

19 7. Finally, while raising money in this fraudulent manner, James
20 transferred a net amount of at least \$1.4 million from the Entity Defendants’
21 accounts to his personal account or other accounts he controls.

22 DEFENDANTS

23 8. Jon W. James, age 29, resides in Manhattan Beach, California. James
24 is the chief executive officer of JWJA. James holds himself out as the head of each
25 of the Entity Defendants. James controls the bank accounts of all of the Entity
26 Defendants.

27 9. J.W. James & Associates (“JWJA”) is a California corporation located
28 in El Segundo, California. James, as its chief executive officer, controls and

1 directs the actions and operations of JWJA. JWJA purports to engage in the
2 business of real estate investing. JWJA offers and sells promissory notes issued by
3 itself and J.W. James Borrowing Entity, as well as ownership interests in
4 Investment Group Fund, to investors. JWJA is not registered with the
5 Commission.

6 10. J.W. James Borrowing Entity, LLC (“J.W. James Borrowing Entity”)
7 is a California limited liability company located in El Segundo, California. James,
8 as its sole member, controls and directs the actions and operations of J.W. James
9 Borrowing Entity. J.W. James Borrowing Entity issues promissory notes to
10 investors and has received money directly from investors. J.W. James Borrowing
11 Entity is not registered with the Commission.

12 11. J.W. James Investment Group Fund One, LLC (“Investment Group
13 Fund”) is a California limited liability company located in El Segundo, California.
14 JWJA is its manager, through which James controls and directs the actions and
15 operations of Investment Group Fund. Investors buy an ownership interest in
16 Investment Group Fund, and their monies are purportedly used to purchase real
17 estate. Investment Group Fund has received money directly from investors, and it
18 holds title to a parcel of real estate purchased on April 25, 2006. Investment Group
19 Fund is not registered with the Commission.

20 12. The James Company Fund I, LLC (“James Co. Fund”) is a California
21 limited liability company located in El Segundo, California. James Co. Fund has
22 received funds directly from investors, and it holds title to three parcels of real
23 estate purchased on or after February 1, 2006. James controls and directs the
24 actions and operations of James Co. Fund.

25 13. The James Company Borrowing Entity, LLC (“James Co. Borrowing
26 Entity”) is a California limited liability company located in El Segundo, California.
27 James, as its sole member, controls and directs the actions and operations of James
28 Co. Borrowing Entity. This entity has received funds directly from investors.

1 14. Virtual Cash Flow Corporation (“Virtual Cash Flow”) is a Nevada
2 corporation, whose corporate status was revoked in July 2005. James was
3 previously listed as an officer of this corporation. Virtual Cash Flow has continued
4 to maintain a bank account, controlled by James, into which he has deposited
5 investor funds and out of which he has made some of the payments of purported
6 interest and principal.

7 15. The Cloaking Device, Inc. (“Cloaking Device”) is a Nevada
8 corporation whose corporate status is in default. At the direction of James, some
9 investors made their investments directly into this entity. Some investors received
10 payments of purported interest and principal directly from this entity. James
11 controls this entity through nominee officers who act at his direction, including
12 with regard to banking transactions.

13 16. J.W. James Acquisitions, LLC (“Acquisitions”) is a California limited
14 liability company located in El Segundo, California. JWJA is its manager and, as
15 such, controls and directs the actions and operations of Acquisitions. Acquisitions
16 holds title to a parcel of real estate purchased on March 15, 2006.

17 THE FRAUDULENT SCHEME

18 The Investment As Represented To Investors

19 17. Since at least January 2004, Defendants, principally through JWJA,
20 have been offering and selling securities and purporting to use the proceeds to
21 invest in real estate. Defendants initially offered and sold promissory notes issued
22 by JWJA and later sold promissory notes issued by J.W. James Borrowing Entity
23 and ownership interests in Investment Group Fund. More than \$22 million has
24 been invested by at least 99 investors.

25 18. James pitches investments in the Entity Defendants by claiming to
26 provide a profitable vehicle to grow retirement savings. Operating through JWJA,
27 James uses direct mail solicitations to invite potential investors to free dinners and
28 seminars promoting retirement planning.

1 19. One such invitation states in large bold print, “Retirement Secrets of
2 the Rich: What your Accountant and Stockbroker don’t want you to know.” The
3 invitation describes JWJA as a “private investment firm that specializes in finding
4 sound investments in real estate and related wealth-building products to use in your
5 IRA.” It explains that the seminar will, among other things, discuss how to “use
6 your retirement account to take advantage of the booming real estate market”
7 (emphasis in original) and “how to retire in 3-7 years.”

8 20. The seminars encourage attendees to invest in JWJA real estate
9 opportunities by transferring their IRAs from their current IRA custodians, which
10 may only allow investments in stocks, bonds, mutual funds, and other traditional
11 investments, to new custodians, which allow for “self-directed IRAs” in which
12 funds may also be invested in real estate. In addition, James describes JWJA’s real
13 estate business, often with the assistance of a PowerPoint presentation entitled
14 “J.W. James & Associates: Helping You Retire Early” or “Where Money Meets
15 Ideas.”

16 21. At the seminars, and later in individual meetings, James or other
17 JWJA representatives explain how JWJA purportedly makes a profit for investors.
18 Investors are told that JWJA uses investor money to acquire and develop real estate
19 and to buy notes secured by real estate. JWJA supposedly generates profits from
20 the subsequent sale of these assets. James claims to have “exclusive
21 relationships,” not available to ordinary investors, with lenders, banks, and
22 financial institutions. Investors are told that these contacts will call James when
23 they have non-performing real estate and real estate-related assets, which James
24 claims he is able to buy at a discounted price. James and the other JWJA
25 representatives tell investors that JWJA has a “rule of thumb” whereby it only
26 enters into real estate transactions in which the asset’s value is 75% of market
27 value, thereby immediately locking in a 25% profit. Investors are also told that
28 JWJA does not make any money until its investors make money. James and other

1 JWJA representatives claim that JWJA has a successful track record of engaging in
2 these types of real estate transactions.

3 22. Seminar attendees are encouraged to sign up for personal meetings
4 with James or a JWJA representative to learn more about the investment
5 opportunities. At the personal meetings, James or JWJA representatives acting at
6 his direction explain the investment again and provide the investors with the
7 investment documentation. Until late 2005, these documents included a brochure
8 entitled, "J.W. James Associates: Where Money Meets Ideas." The brochure
9 repeats the same themes presented in the seminars. For example, it contains a
10 section entitled "What We Can Do for You," which states, among other things, that
11 JWJA helps clients learn (1) "How to Use Retirement Accounts to Take Advantage
12 of the Booming Real Estate Market"; (2) "How to Think and Invest Like the
13 Wealthy Do"; (3) "How to Use the Existing Leverage in Your Retirement
14 Accounts to Produce Double-Digit Returns"; and (4) "How to Retire in Just Seven
15 Short Years."

16 23. Defendants currently also use a website,
17 www.thejwjamescompany.com, to solicit investors. The website describes James
18 as the president of the company and describes the "The James Company" as a
19 private investment firm, and falsely relates that the company "has sponsored real
20 estate partnerships which have acquired . . . in excess of 75 properties and
21 \$22 million in transactions." The website also describes two investment
22 "programs." The first program, the "Cash Flow Fund," states it is appropriate for
23 investors seeking "predictable returns, and the protection of capital for immediate
24 and consistent yields." The other program, the "Capital Appreciation Fund,"
25 claims its returns "are performance-based, [and] generated from capital events such
26 as the sale or refinancing of properties."

27 **The Promissory Note Investment**

28 24. Those investors who purchased promissory notes received an

1 agreement entitled "Heads of Agreement" and a promissory note.

2 25. In 2004 and 2005, JWJA issued promissory notes consisting of
3 varying terms. The typical length of term has increased as Defendants' scheme has
4 progressed, from 30-90 days in early 2004, to one-year terms in late 2005 and in
5 2006. The promissory notes call for the payment of between 10% and 24% interest
6 upon the maturity of the note, or in quarterly installments.

7 26. Some investors who choose to invest again at the end of a term do so
8 by receiving a check or wire transfer of the principal and interest owed, and then
9 writing a check or wiring money back to an Entity Defendant in the amount of the
10 new investment. In other instances, when an investor chooses to invest again at the
11 end of a term, he or she does so by simply rolling over the principal and accrued
12 interest into a new promissory note.

13 27. In approximately late 2005 or early 2006, James changed slightly the
14 structure of the note program. Instead of a document entitled "Heads of
15 Agreement," the investors began receiving a private placement memorandum and a
16 subscription agreement. According to the private placement memorandum, the
17 investors first receive a note with a 90 day term issued by J.W. James Borrowing
18 Entity. At the end of that term, the note is supposed to be replaced with a
19 fractional interest in a note issued by Investment Group Fund. The private
20 placement memoranda represents that these notes will be secured by property
21 acquired during that initial 90 day period.

22 The Investment Group Fund Interests

23 28. Starting in late 2005 or early 2006, JWJA also added another
24 investment choice – ownership interests in Investment Group Fund. For these
25 investors, JWJA provides private placement memoranda and accompanying
26 subscription agreements.

27 29. According to the private placement memorandum, Investment Group
28 Fund purports to pool together investor money to engage in real estate purchases.

1 JWJA purports to select and evaluate the properties for acquisition, oversee their
2 development, and operate them during ownership. Fund investors are entitled to a
3 share of the monies generated by that entity, purportedly as a result of the purchase
4 and development of real estate. According to the private placement memorandum,
5 the cash flows generated by Investment Group Fund are to be split 50/50 between
6 the fund's members and its manager, JWJA. The fund members consist of the
7 investors and JWJA, which takes for itself membership interests equaling 10% of
8 the interests issued.

9 30. According to the private placement memorandum, the portion of the
10 cash flows that JWJA receives as its management fee is subject to the investors'
11 receiving a minimum 10% annual return. Likewise, the proceeds of any
12 distribution upon the sale or refinancing of the properties purchased by the
13 Investment Group Fund are to be divided evenly between the members and JWJA,
14 subject to the investors receiving 110% of their initial investment.

15 31. The private placement memorandum emphasizes that the manager,
16 JWJA, will run the operations of Investment Group Fund, and that the investors
17 will have "minimal involvement in real estate management." The private
18 placement memorandum refers to investments in Investment Group Fund as
19 "securities."

20 **James's Diversion Of Funds**

21 32. James or other JWJA representatives acting at his direction tell
22 investors to write checks or wire transfer money to one of the following Entity
23 Defendants: JWJA, J.W. James Borrowing Entity, Investment Group Fund, James
24 Co. Fund, James Co. Borrowing Entity, Virtual Cash Flow, or Cloaking Device.

25 33. James has diverted a net amount of over \$1.4 million from the
26 accounts of the Entity Defendants to himself and the accounts of several
27 companies that he controls and directs (collectively, "the Diverting Companies"):

- 28 • The James Company, Inc. (a California corporation of which

1 James is the president);

- 2 • Real Estate Finance & Investment Corp. (a suspended California
- 3 corporation of which James is the president and organizer);
- 4 • On the Ball Entertainment, LLC (a California limited liability
- 5 company of which James is a managing member); and
- 6 • J.W. James Inner Circle, LLC (a California limited liability
- 7 company of which James is its registered agent).

8 **Defendants' False Representations**

9 ***Non-Existent Source Of Returns***

10 34. Since January 2004, Defendants, through James and other JWJA
11 representatives, have misrepresented to investors the source of their investment
12 returns. Investors are told and led to believe that Defendants generate enough
13 profit through successful real estate transactions to provide the promised rates of
14 return.

15 35. Repeatedly, at the free dinner seminars and in one-on-one meetings
16 with potential investors, James or a JWJA representative tells investors that JWJA,
17 James's main operating entity, uses investor money to engage in real estate "deals"
18 which are sufficiently profitable to allow JWJA to pay investors the promised
19 returns. Specifically, investors are told that JWJA engages primarily in two types
20 of real estate deals: (1) the purchase, development, and sale of real estate, and (2)
21 the purchase of other real estate related assets, such as notes secured by real estate.

22 36. The written offering materials similarly represent to investors that
23 their investments are being used to engage in real estate transactions. Many of the
24 promissory notes claim to be secured by "an investment involving the purchase
25 and discounting of real estate acquisitions." As Defendants' scheme evolved and
26 they began using private placement memoranda, they continued to describe the real
27 estate transactions that purportedly underlie the investment. The private placement
28 memorandum for the note offering states that "properties [will be] purchased by

1 the Fund from reacquiring lenders or owners who are in a distressed situation.”
2 Likewise, the private placement memorandum for interests in the Investment
3 Group Fund references the investment objective as the “ownership and disposition
4 of residential, commercial or investment properties in California.”

5 37. As of January 31, 2006, two years after they began soliciting
6 investments, Defendants had not purchased any real estate or significant real estate
7 related assets with the investor funds. In early 2006, after more than two years of
8 soliciting investors, and after receiving an inquiry from the California Department
9 of Corporations (“DOC”), Defendants finally purchased a small amount of real
10 estate. Between February 1 and April 30, 2006, Defendants purchased five parcels
11 of real estate. But, Defendants continue to misrepresent the source of returns to
12 investors.

13 38. Defendants purchased five commercial properties for a total price of
14 \$10.3 million. As part of the purchases, Defendants contributed a total of only
15 \$3.7 million (consisting of down payments, plus closing costs) in cash towards,
16 and borrowed \$9.3 million on, the properties (borrowing more than 100% in one
17 instance). As of April 30, 2006, Defendants had not re-sold any of the properties
18 and had generated minimal rental income.

19 39. Nevertheless, from January 2004 through April 2006, Defendants had
20 made payments to investors of purported interest and principal totaling over
21 \$14 million. The handful of properties that Defendants now own do not generate
22 anywhere near sufficient profit from which to support the returns paid to investors.

23 40. As such, since January 2004 through the present, the supposed returns
24 from real estate transactions that are represented to be the basis for generating
25 investor returns are virtually non-existent.

26 ***Investments Are Not Actually Secured By Real Estate***

27 41. Defendants, through James or JWJA representatives, also made
28 misrepresentations to investors when they told investors that their investments

1 would be secured by JWJA's real estate transactions. While the promissory notes
2 provided to investors are not identical, the notes variously contain language stating
3 that they are secured by monies owed to JWJA or another Entity Defendant from
4 an investment involving the purchase and discounting of real estate acquisitions.
5 Similarly, the promissory notes issued by J.W. James Borrowing Entity state that
6 the notes will be amended to be secured by property within 90 days.

7 42. Contrary to the representations in those promissory notes and what
8 investors were told, it does not appear that any specific property, income stream on
9 any property was ever pledged as security for the promissory notes. Indeed, James
10 has raised over \$22 million, but has made only belated and minimal real estate
11 purchases. The few properties that have been purchased for a total purchase price
12 of \$10.3 million have been mortgaged for \$9.3 million. Accordingly, there was
13 either no or inadequate real estate to secure the investors' promissory notes.

14 *Misuse Of Proceeds*

15 43. Defendants have also failed to disclose that Defendants misuse
16 investor funds by using new investor money to pay back earlier investors.

17 44. JWJA has admitted to using money raised from investors to pay
18 earlier investors' principal and interest without disclosing that fact to investors. In
19 response to requests for information from the DOC, JWJA's counsel specifically
20 acknowledged in a February 14, 2006 letter to California state authorities that
21 JWJA failed to disclose that investors' funds were used to make principal and
22 interest payments to other investors.

23 **Defendants Knew Or Were Reckless In Not Knowing The Falsity Of Their** 24 **Representations**

25 45. James, and through him each of the Entity Defendants, have acted
26 with scienter.

27 46. James controls each of the Entity Defendants' operations and is
28 responsible for the representations made to investors. At seminars and in personal

1 meetings, James describes the Defendants' business to investors.

2 47. James is a signatory on or otherwise controls the bank accounts of
3 each of the Entity Defendants and Diverting Companies, including the accounts
4 out of which investor funds were used to pay other investors. James also diverted
5 a net amount of at least \$1.4 million from the accounts of the Entity Defendants to
6 himself or to the Diverting Companies, which he controlled.

7 48. James knows or is reckless in not knowing, contrary to the
8 representations made to investors, that investors' returns are not actually being
9 generated by profitable real estate transactions, that their investments are not
10 actually secured by real estate, and that investor funds are being misused to pay
11 previous investors.

12 **FIRST CLAIM FOR RELIEF**

13 **UNREGISTERED OFFER AND SALE OF SECURITIES**

14 **Violations Of Sections 5(a) And 5(c) Of The Securities Act**

15 **(Against James, JWJA, J.W. James Borrowing Entity, Investment Group**
16 **Fund)**

17 49. The Commission realleges and incorporates by reference paragraphs 1
18 through 48 above.

19 50. James, JWJA, J.W. James Borrowing Entity, Investment Group Fund,
20 and each of them, by engaging in the conduct described above, directly or
21 indirectly, made use of means or instruments of transportation or communication
22 in interstate commerce or of the mails, to offer to sell or to sell securities, or to
23 carry or cause such securities to be carried through the mails or in interstate
24 commerce for the purpose of sale or for delivery after sale.

25 51. No registration statement has been filed with the Commission or has
26 been in effect with respect to the offerings alleged herein.

27 52. By engaging in the conduct described above, James, JWJA, J.W.
28 James Borrowing Entity, and Investment Group Fund violated, and unless

1 restrained and enjoined will continue to violate, Sections 5(a) and 5(c) of the
2 Securities Act, 15 U.S.C. §§ 77e(a) and 77e(c).

3 **SECOND CLAIM FOR RELIEF**

4 **FRAUD IN THE OFFER OR SALE OF SECURITIES**

5 **Violations Of Section 17(a) Of The Securities Act**

6 **(Against All Defendants)**

7 53. The Commission realleges and incorporates by reference paragraphs 1
8 through 48 above.

9 54. Defendants, and each of them, by engaging in the conduct described
10 above, directly or indirectly, in the offer or sale of securities by the use of means or
11 instruments of transportation or communication in interstate commerce or by use
12 of the mails:

- 13 a. with scienter, employed devices, schemes, or artifices to
14 defraud;
- 15 b. obtained money or property by means of untrue statements of a
16 material fact or by omitting to state a material fact necessary in
17 order to make the statements made, in light of the
18 circumstances under which they were made, not misleading; or
- 19 c. engaged in transactions, practices, or courses of business which
20 operated or would operate as a fraud or deceit upon the
21 purchaser.

22 55. By engaging in the conduct described above, each of Defendants
23 violated, and unless restrained and enjoined will continue to violate, Section 17(a)
24 of the Securities Act, 15 U.S.C. § 77q(a).

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1 **THIRD CLAIM FOR RELIEF**

2 **FRAUD IN CONNECTION WITH THE PURCHASE OR SALE OF**
3 **SECURITIES**

4 **Violations Of Section 10(b) Of The Exchange Act And Rule 10b-5 Thereunder**
5 **(Against All Defendants)**

6 56. The Commission realleges and incorporates by reference paragraphs 1
7 through 48 above.

8 57. Defendants, and each of them, by engaging in the conduct described
9 above, directly or indirectly, in connection with the purchase or sale of a security,
10 by the use of means or instrumentalities of interstate commerce, of the mails, or of
11 the facilities of a national securities exchange, with scienter:

- 12 a. employed devices, schemes, or artifices to defraud;
- 13 b. made untrue statements of a material fact or omitted to state a
14 material fact necessary in order to make the statements made,
15 in the light of the circumstances under which they were made,
16 not misleading; or
- 17 c. engaged in acts, practices, or courses of business which
18 operated or would operate as a fraud or deceit upon other
19 persons.

20 58. By engaging in the conduct described above, each of the Defendants
21 violated, and unless restrained and enjoined will continue to violate, Section 10(b)
22 of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5 thereunder, 17 C.F.R.
23 § 240.10b-5.

24 **PRAYER FOR RELIEF**

25 WHEREFORE, the Commission respectfully requests that the Court:

26 **I.**

27 Issue findings of fact and conclusions of law that Defendants committed the
28 alleged violations.

1 **II.**

2 Issue judgments, in a form consistent with Fed. R. Civ. P. 65(d),
3 temporarily, preliminarily and permanently enjoining Defendants and their
4 officers, agents, servants, employees, and attorneys, and those persons in active
5 concert or participation with any of them, who receive actual notice of the
6 judgment by personal service or otherwise, and each of them, from violating
7 Section 17(a) of the Securities Act, 15 U.S.C. §§ 77e(a), 77e(c) & 77q(a), and
8 Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5 thereunder,
9 17 C.F.R. § 240.10b-5, and as to Defendants James, JWJA, J.W. James Borrowing
10 Entity, Investment Group Fund, and each of them, from violating Sections 5(a) and
11 5(c) of the Securities Act, 15 U.S.C. §§ 77e(a) and 77e(c).

12 **III.**

13 Issue, in a form consistent with Fed. R. Civ. P. 65, a temporary restraining
14 order and a preliminary injunction freezing the assets of each of the Defendants,
15 appointing a receiver over the Entity Defendants, requiring accountings from each
16 of the Defendants, prohibiting each of the Defendants from destroying documents,
17 and ordering expedited discovery.

18 **IV.**

19 Order each Defendant to disgorge all ill-gotten gains from their illegal
20 conduct, together with prejudgment interest thereon.

21 **V.**

22 Order each of the Defendants to pay civil penalties under Section 20(d) of
23 the Securities Act, 15 U.S.C. § 77t(d), and Section 21(d)(3) of the Exchange Act,
24 15 U.S.C. § 78u(d)(3).

25 **VI.**

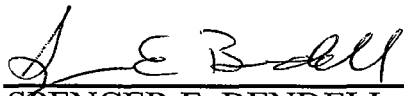
26 Retain jurisdiction of this action in accordance with the principles of equity
27 and the Federal Rules of Civil Procedure in order to implement and carry out the
28 terms of all orders and decrees that may be entered, or to entertain any suitable

1 application or motion for additional relief within the jurisdiction of this Court.

2 **VII.**

3 Grant such other and further relief as this Court may determine to be just and
4 necessary.

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6 DATED: August 10, 2006



SPENCER E. BENDELL
J. JORGE DENEVE
ROBERT H. CONRRAD
Attorneys for Plaintiff
Securities and Exchange Commission

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