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2010 OCT 14 PM 3:38

U.S. DISTRICT COURT
CENTRAL DIST. OF CALIF.
EASTERN DIVISION

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11
 12 UNITED STATES DISTRICT COURT
 CENTRAL DISTRICT OF CALIFORNIA

13
 14 SECURITIES AND EXCHANGE COMMISSION,

15 Plaintiff,

16 v.

17 JASON K. FIFIELD,

18 Defendant.
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Case No. CV10-7709 RBK (ORx)
 COMPLAINT

20 Comes now plaintiff Securities and Exchange Commission, and as its complaint
 21 alleges as follows:
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1 without being associated with a registered broker or dealer and taking undisclosed
2 compensation for doing so.

3 6. As described in this complaint, defendant Fifield violated Section 17(a) of
4 the Securities Act of 1933 ("Securities Act") [15 U.S.C. § 77q(a)], Sections 10(b) and
5 15(a) of the Securities Exchange Act of 1934 ("Exchange Act") [15 U.S.C. §§ 78j(b) and
6 o(a)] and Rule 10b-5 [17 C.F.R. § 240.10b-5] thereunder and unless restrained and
7 enjoined will engage in future violations of those provisions.

8 7. As detailed below, the Commission seeks an order restraining and
9 enjoining the defendant from violating the federal securities laws and regulations,
10 requiring the defendant to disgorge ill-gotten gains plus prejudgment interest and pay
11 civil penalties, and granting such other relief as is necessary and appropriate.

12 JURISDICTION and VENUE

13 8. The Commission brings this action pursuant to the authority conferred
14 upon it by Section 20(b) of the Securities Act [15 U.S.C. § 77t(b)] and Section 21(d) of
15 the Exchange Act [15 U.S.C. §§ 78u(d)].

16 9. The Court has jurisdiction over this action pursuant to Section 22(a) of the
17 Securities Act [15 U.S.C. § 77v(a)] and Section 27 of the Exchange Act [15 U.S.C. §§
18 78u(e) and 78aa]. Venue lies in this Court pursuant to Securities Act Section 22(a) and
19 Exchange Act Section 27 [15 U.S.C. §§ 77v(a) and 78aa].

20 10. In connection with the transactions, acts, practices, and courses of
21 business described in this Complaint, the defendants, directly and indirectly, have made
22 use of the means or instrumentalities of interstate commerce, of the mails, and/or of the
23 means and instruments of transportation or communication in interstate commerce.

1 11. Defendant Fifield resides within this district, in Temecula, California.

2 FRAUD ALLEGATIONS

3 12. In late 2006, Fifield created JJF Management, a Nevada corporation with
4 its principal place of business in Temecula, California. Fifield was the sole owner and
5 decision maker for JJF Management. Fifield created JJF Management for the purpose
6 of soliciting the investments described in this complaint from investors. JJF
7 Management's sole business was receiving and disbursing investor funds as set forth in
8 this complaint.

9 13. In February 2007, Fifield commissioned a private placement memorandum
10 ("PPM") for the sale of JJF Management promissory notes.

11 14. Once the PPM was created, Fifield immediately started soliciting
12 investors. Fifield primarily communicated with investors through email, in-person
13 contacts, and over the phone.

14 15. In the promissory notes and PPM, Fifield promised to pay investors 7.5%
15 interest per month or 90% per year, in return for a \$25,000 minimum investment for a
16 six-month term.

17 16. Fifield sent interested investors a subscription agreement, the PPM, his
18 resume, a business plan, and audited JJF Management financials for the period
19 November 2006 through March 2007. After the investor returned a completed
20 subscription agreement and, in most cases, wired his or her investment money to JJF
21 Management's bank account, Fifield would execute a promissory note for each \$25,000
22 investment and send it and an acceptance letter to the investor. JJF Management used
23 a single bank account and all investor money was commingled in that account.

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1 17. In total, from approximately late February 2007 through July 2008, Fifield
2 raised approximately \$5.88 million from at least 74 investors, primarily individuals.

3 18. The PPM Fifield distributed to investors provided that at the end of the six
4 month term the note would be redeemed and the principal paid in full unless the
5 investor gave notice that it wished to renew the note on a month to month basis. In
6 practice, the notes were not redeemed and the principal was not repaid. Instead, the
7 notes were automatically renewed for six months unless an investor demanded
8 repayment.

9 19. The term of the investment was a material representation in the PPM and
10 Fifield's unilateral decision to disregard the term of the investment was a material
11 omission.

12 20. Fifield's unilateral decision to disregard the term of the investment was, at
13 least, reckless.

14 21. Fifield intended to place investor funds into a high yield investment
15 program which was purported to pay 10% interest per month. Fifield intended to retain
16 the difference between the anticipated 10% return and the 7.5% promised to investors
17 as compensation.

18 22. Before he could invest, Fifield learned that the high yield program in which
19 he had intended to place investor funds had been shut down by the Securities and
20 Exchange Commission, the individuals associated with the scheme had been enjoined,
21 and all funds related to the scheme had been frozen by Court order.

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1 23. Instead of returning investors' funds, Fifield decided to invest the offering
2 proceeds himself even though he had no experience making investment loans with
3 monthly interest rates approaching 7.5%.

4 24. In the PPM, Fifield distributed to investors he represented that JJF
5 Management would use investor funds to make hard money loans, mezzanine loans,
6 and bridge loans, as well as to purchase undervalued real estate and commodities
7 futures contracts.

8 25. Among other things the PPM represented that hard money loans were
9 high interest loans secured by first position liens on real property. The PPM indicated
10 that JJF Management intended to "make hard money loans to both residential and
11 commercial real estate entities." The PPM further represented that "the Manager
12 expects to make unsecured loans rarely if at all."

13 26. In fact, Fifield's representations in the PPM about the use of investor funds
14 were materially false and misleading. Few of the loans made by Fifield through JJF
15 Management were secured. Instead, Fifield recklessly disbursed approximately \$3.59
16 million of the investor proceeds to unsuitable "investments." These "investments"
17 included unqualified, undocumented and unsecured loans to friends and relatives,
18 which were never repaid, and "investments" in other fraudulent schemes. Of the \$3.59
19 million "invested", Fifield incurred overall losses of approximately \$2.89 million.

20 27. The misrepresentations in the PPM concerning the use and safety of
21 investor funds were material. Fifield's knowing or reckless use of investor funds to
22 make unqualified, undocumented and unsecured loans made his representations in the
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1 PPM materially misleading. Fifield's knowing or reckless placement of investor funds in
2 fraudulent schemes also made his representations in the PPM materially misleading.

3 28. Until approximately February 2008, Fifield timely paid investors the
4 promised 7.5% monthly interest payments. The majority of those payments, however,
5 came from other investors' money because JJF Management's investments were
6 performing poorly and Fifield could not make the payments from the return on
7 investments.

8 29. By February 2008, JJF Management was having cash flow difficulties and
9 Fifield started making monthly interest payments late. By May 2008, Fifield stopped
10 making interest payments to all but a selected group of investors. Fifield's last interest
11 payment was made in July 2008.

12 30. Fifield returned approximately \$2.275 million to investors. However, over
13 \$1.5 million of these payments were made from other investors' money, that is, Ponzi
14 payments, as JJF Management's investments did not generate enough money for the
15 monthly interest payments to investors.

16 31. Fifield knowingly or recklessly failed to disclose to investors that their
17 money was being used to make payments to other investors.

18 32. The misrepresentations in the PPM concerning return on investment were
19 material. Fifield's intentional use of investor funds to make Ponzi payments of
20 purported returns to investors was materially misleading, especially in conjunction with
21 his disregard of the investment term set forth in the PPM and his decision to, instead,
22 automatically renew investors' promissory notes.

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1 33. Fifield knowingly misappropriated approximately \$563,770 of investor
2 funds, which included cash distributions to himself and mortgage payments for
3 properties owned by himself and his relatives. Fifield knowingly paid himself
4 approximately \$413,846 from investor proceeds. Fifield used some of the money for
5 personal car payments, home improvements, and vacations to various locations,
6 including Hawaii, Mexico, and a California spa resort. Furthermore, beginning in
7 approximately September 2007 and continuing until July 2008, Fifield knowingly used
8 approximately \$149,924 of investor money to make undisclosed mortgage payments on
9 as many as five properties owned personally by Fifield or his relatives. Neither Fifield
10 nor the PPM disclosed to investors that JJF Management would use investor money to
11 make these mortgage payments.

12 34. The PPM did not did not disclose that investor funds would be paid to
13 Fifield or for his personal benefit. Fifield's personal misuse of funds was never
14 disclosed to investors.

15 35. The misrepresentations in the PPM concerning use of investor funds was
16 material. Fifield's intentional payment of investor funds to himself and for his benefit
17 caused those representations to be materially misleading. Moreover, as a broker,
18 Fifield had a duty to disclose any compensation he was receiving to investors. Fifield's
19 intentional payment of investor funds to himself and for his benefit, while investors lost
20 millions of dollars, was a material omission.

21 36. In summary, investors lost a total of approximately \$3.6 million through
22 this fraudulent scheme.

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1 37. Through his misappropriation and misuse of investor funds, defendant
2 Fifield received at least \$563,770 of ill-gotten gains from February 2007 through July
3 2008.

4 ALLEGATIONS CONCERNING REGISTRATION VIOLATIONS

5 38. Section 15(a) of the Exchange Act requires that individuals offering to sell
6 securities be registered as provided in that section or associated with a registered
7 broker dealer.

8 39. From February 2007 through July 2008 defendant Fifield was engaged in
9 the business of effecting transactions in securities for the accounts of others by offering
10 and selling promissory notes to investors.

11 40. From February 2007 through July 2008 defendant Fifield was neither
12 registered as a broker-dealer nor associated with a registered broker dealer.

13 41. As a result of his sales of securities while not registered, defendant Fifield
14 received at least \$563,770 of ill-gotten gains and investors lost a total of approximately
15 \$3.6 million.

16 CLAIMS FOR RELIEF

17 FIRST CLAIM

18 Fraud in the Offer or Sale of Securities
19 Violations of Section 17(a) of the Securities Act
 [15 U.S.C. § 77q(a)(1)]

20 42. As a result of the conduct alleged in paragraphs 1 through 37, defendant
21 Fifield has, directly or indirectly, with scienter, in the offer or sale of securities, by use of
22 the means or instruments of transportation or communication in interstate commerce or
23 by use of the mails, employed a device, scheme, or artifice to defraud in violation of
24 Section 17(a)(1) of the Securities Act.

