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

11 SECURITIES AND EXCHANGE  
12 COMMISSION,

13 Plaintiff,

14 vs.

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

21 Defendants.

Case No. CV 06-4966 FMC (FFMx)

**JUDGMENT OF PERMANENT  
INJUNCTION AND OTHER  
RELIEF AGAINST DEFENDANT  
JON W. JAMES**

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1 Plaintiff Securities and Exchange Commission ("Commission"), having filed  
2 and served upon Defendant Jon W. James ("James") a Summons and Complaint in  
3 this action; Defendant James having entered a general appearance, consented to the  
4 Court's jurisdiction over Defendant James and the subject matter of this action,  
5 consented to entry of this Judgment, without admitting or denying the allegations  
6 of the Complaint, except as to jurisdiction and as specifically set forth herein,  
7 waived findings of fact and conclusions of law, and waived any right to appeal  
8 from this Judgment; no notice of hearing upon entry of this Judgment being  
9 necessary; and this Court being fully advised:

10 **I.**

11 IT IS ORDERED, ADJUDGED, AND DECREED that Defendant James  
12 and his officers, agents, servants, employees, attorneys, subsidiaries and affiliates,  
13 and those persons in active concert or participation with him, who receive actual  
14 notice of this Judgment, by personal service or otherwise, and each of them, be and  
15 hereby are permanently restrained and enjoined from, directly or indirectly,  
16 making use of any means or instruments of transportation or communication in  
17 interstate commerce or of the mails, to sell, to offer to sell, or to offer to buy any  
18 security; or carrying or causing securities to be carried through the mails or in  
19 interstate commerce, by any means or instruments of transportation, for the  
20 purpose of sale or delivery after sale, in violation of Sections 5(a) and 5(c) of the  
21 Securities Act of 1933 ("Securities Act"), 15 U.S.C. §§ 77e(a) and 77e(c).

22 **II.**

23 IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that  
24 Defendant James, and his officers, agents, servants, employees, attorneys,  
25 subsidiaries and affiliates, and those persons in active concert or participation with  
26 any of them, who receive actual notice of this Judgment, by personal service or  
27 otherwise, and each of them, be and hereby are permanently restrained and  
28 enjoined from, directly or indirectly, in the offer or sale of any securities, by the

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1 use of any means or instruments of transportation or communication in interstate  
2 commerce or by use of the mails:

- 3 A. employing any device, scheme or artifice to defraud;
- 4 B. obtaining money or property by means of any untrue statement  
5 of a material fact or any omission of a material fact necessary in  
6 order to make the statements made, in light of the  
7 circumstances under which they were made, not misleading; or
- 8 C. engaging in any transaction, practice, or course of business  
9 which operates or would operate as a fraud or deceit upon the  
10 purchaser

11 in violation of Section 17(a) of the Securities Act, 15 U.S.C. § 77q(a).

12 **III.**

13 IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that  
14 Defendant James and his officers, agents, servants, employees, attorneys,  
15 subsidiaries and affiliates, and those persons in active concert or participation with  
16 any of them who receive actual notice of this Judgment, by personal service or  
17 otherwise, and each of them, be and hereby are permanently restrained and  
18 enjoined from, directly or indirectly, in connection with the purchase or sale of any  
19 security, by the use of any means or instrumentality of interstate commerce, or of  
20 the mails, or of any facility of any national securities exchange:

- 21 A. employing any device, scheme, or artifice to defraud;
- 22 B. making any untrue statement of a material fact or omitting to  
23 state a material fact necessary in order to make the statements  
24 made, in the light of the circumstances under which they were  
25 made, not misleading; or
- 26 C. engaging in any act, practice, or course of business which  
27 operates or would operate as a fraud or deceit upon any person

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1 in violation of Section 10(b) of the Securities Exchange Act of 1934 (“Exchange  
2 Act”), 15 U.S.C. § 78j(b), and Rule 10b-5 thereunder, 17 C.F.R. § 240.10b-5.

3  
4 **IV.**

5 IT IS HEREBY FURTHER ORDERED, ADJUDGED, AND DECREED  
6 that Defendant James shall pay disgorgement of ill-gotten gains, prejudgment  
7 interest thereon, and a civil penalty pursuant to Section 20(d) of the Securities Act,  
8 15 U.S.C. § 77t(d), and Section 21(d)(3) of the Exchange Act, 15 U.S.C.  
9 § 78u(d)(3). The Court shall determine the amounts of the disgorgement and civil  
10 penalty upon motion of the Commission. Prejudgment interest shall be calculated  
11 pursuant to 28 U.S.C. § 1961. In connection with the Commission’s motion for  
12 disgorgement and/or civil penalties, and at any hearing held on such a motion: (a)  
13 Defendant will be precluded from arguing that he did not violate the federal  
14 securities laws as alleged in the Complaint; (b) Defendant may not challenge the  
15 validity of the Consent or this Judgment; (c) solely for the purposes of such  
16 motion, the allegations of the Complaint shall be accepted as and deemed true by  
17 the Court; and (d) the Court may determine the issues raised in the motion on the  
18 basis of affidavits, declarations, excerpts of sworn deposition or investigative  
19 testimony, and documentary evidence, without regard to the standards for  
20 summary judgment contained in Rule 56(c) of the Federal Rules of Civil  
21 Procedure. In connection with the Commission’s motion for disgorgement and/or  
22 civil penalties, the parties may take discovery, including discovery from  
23 appropriate non-parties.

24 **V.**

25 IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that the  
26 provisions of the Consent filed concurrently with this Judgment are incorporated  
27 herein with the same force and effect as if fully set forth herein and that Defendant  
28 James shall comply with the Consent.

**VI.**

SCANNED

1 IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that the asset  
2 freeze provided for in paragraphs V and VI of the Court's October 12, 2006  
3 Preliminary Injunction and Orders: (1) Freezing Assets; (2) Appointing Permanent  
4 Receiver; (3) Requiring Accountings; and (4) Prohibiting the Destruction of  
5 Documents shall remain in full force and effect, until further order of this Court.

6 **VII.**

7 IT IS HEREBY FURTHER ORDERED, ADJUDGED, AND DECREED  
8 that during the pendency of this action against any defendant, Defendant James  
9 shall remain subject to the discovery provisions of the Federal Rules of Civil  
10 Procedure which apply to parties, and, in addition, that Defendant James agrees  
11 and undertakes, without service of a subpoena, to appear for his deposition or to  
12 testify as a witness at any trial of this action or at any related proceeding. Failure  
13 to comply with the foregoing will subject Defendant James to the remedies and  
14 sanctions set forth in Rule 37 of the Federal Rules of Civil Procedure and all other  
15 available remedies.

16 **VIII.**

17 IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that this  
18 Court shall retain jurisdiction over this action for all purposes, including  
19 implementing and carrying out the terms of this Judgment and all other orders  
20 which may be entered herein, to resolve the Commission's pending claims against  
21 Defendant James for disgorgement, prejudgment interest, and civil penalty, and to  
22 entertain any suitable application or motion for additional relief within the  
23 jurisdiction of this Court.

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28 **IX.**

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1           There being no just reason for delay, the Clerk of the Court is hereby  
2 directed, pursuant to Rule 54(b) of the Federal Rules of Civil Procedure, to enter  
3 this Judgment without further notice.

4           IT IS SO ORDERED.

5  
6 DATED: *Dec-1, 2006*

  
The Honorable Florence-Marie Cooper  
UNITED STATES DISTRICT JUDGE

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8  
9 Approved as to form:

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11 \_\_\_\_\_  
12 Dana Cephas, Esq.  
13 The Cephas Law Firm  
14 1901 Avenue of the Stars  
Suite 200  
Los Angeles, CA 90067  
Attorney for Defendant

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**PROOF OF SERVICE**

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I am over the age of 18 years and not a party to this action. My business address is:

U.S. SECURITIES AND EXCHANGE COMMISSION, 5670 Wilshire Boulevard, 11th Floor, Los Angeles, California 90036-3648

Telephone No. (323) 965-3998; Facsimile No. (323) 965-3815.

On November 30, 2006, I served the document entitled **JUDGMENT OF PERMANENT INJUNCTION AND OTHER RELIEF AGAINST DEFENDANT JON W. JAMES** upon the parties to this action addressed as stated on the attached service list:

**OFFICE MAIL:** By placing in sealed envelope(s), which I placed for collection and mailing today following ordinary business practices. I am readily familiar with this agency's practice for collection and processing of correspondence for mailing; such correspondence would be deposited with the U.S. Postal Service on the same day in the ordinary course of business.

**PERSONAL DEPOSIT IN MAIL:** By placing in sealed envelope(s), which I personally deposited with the U.S. Postal Service. Each such envelope was deposited with the U.S. Postal Service at Los Angeles, California, with first class postage thereon fully prepaid.

**EXPRESS U.S. MAIL:** Each such envelope was deposited in a facility regularly maintained at the U.S. Postal Service for receipt of Express Mail at Los Angeles, California, with Express Mail postage paid.

**HAND DELIVERY:** I caused to be hand delivered such envelope/document to each addressee on the attached service list.

**FEDERAL EXPRESS:** By placing in sealed envelope(s) designated by Federal Express with delivery fees paid or provided for, which I deposited in a facility regularly maintained by Federal Express or delivered to a Federal Express courier, at Los Angeles, California.

**ELECTRONIC MAIL:** By transmitting the document by electronic mail to the electronic mail address as stated on the attached service list.

**FAX:** By transmitting the document by facsimile transmission. The transmission was reported as complete and without error.

**(Federal)** I declare that I am employed in the office of a member of the bar of this Court, at whose direction the service was made. I declare under penalty of perjury that the foregoing is true and correct.

Date: November 30, 2006

Magnolia M. Marcelo  
MAGNOLIA M. MARCELO

