

Stephen W. Simpson  
Timothy N. England  
Stephen L. Cohen  
U.S. Securities and Exchange Commission  
100 F Street, N.E.  
Washington, DC 20549  
Fax: 202.772.9228  
[simpsons@sec.gov](mailto:simpsons@sec.gov) / Tel. 202.551.4513  
[englandt@sec.gov](mailto:englandt@sec.gov) / Tel. 202.551.4959  
[cohens@sec.gov](mailto:cohens@sec.gov) / Tel. 202.551.4472

Attorneys for the Plaintiff

**UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF NEVADA**

<hr/>	
<b>SECURITIES AND EXCHANGE</b>	)
<b>COMMISSION,</b>	)
	)
<i>Plaintiff,</i>	)
	)
<b>v.</b>	) <b>2:13-cv-623</b>
	)
<b>JAMES L. ERWIN and JOINT</b>	)
<b>VENTURE SOLUTIONS, INC.</b>	)
	)
<i>Defendants.</i>	)
<hr/>	

**COMPLAINT**

Plaintiff Securities and Exchange Commission (“Commission”) alleges as follows:

**SUMMARY**

1. Between 2009 and 2011, Defendants James L. Erwin (“Erwin”) and Joint Venture Solutions, Inc. (collectively, “Defendants”) participated in two advance-fee high-yield investment scams perpetrated by Switzerland-based Malom Group AG (“Malom”) – an acronym for “Make A Lot Of Money” – and Las Vegas-based M.Y. Consultants, Inc. Erwin, acting

through his company, Joint Venture Solutions, Inc., promoted investments in Malom, offered Malom's securities to prospective investors, and acted as an intermediary between investors and Malom.

2. The securities at issue include two types of investment contracts: a joint venture agreement and a structured note transaction. The joint venture agreements purported to allow investors, in exchange for an upfront fee, to "use" Malom's purportedly vast financial resources to entice third parties to enter into investment transactions with Malom, typically high-yield overseas trading programs, that would generate astronomically-high investment returns for Malom and the investor. Malom, however, had no funds to invest, never entered into any of the transactions with third parties, and did not return any investor's funds.

3. In the structured note transactions, Malom promised to generate funding through the creation and sale of structured notes that would be listed on "Western European" exchanges, in some cases supported by Brazilian sovereign bonds from the 1970s that the Brazilian government has publicly disclaimed as worthless. To induce investors to pay an "underwriting fee," Malom and one of its corporate officers issued corporate and personal guarantees to repay investors' fees if Malom did not successfully generate funding within 90 to 120 days. Malom did not use the fees collected from investors to underwrite any offering, failed to create any structured notes, and failed to satisfy its guarantees.

4. Neither the joint venture agreements nor the structured note transactions were registered with the Commission, as is required for these securities, and no exemption to registration applied.

5. Erwin, through Joint Venture Solutions, variously held himself out as a representative of Malom and/or as an intermediary between investors and Malom. He offered securities to prospective investors through in-person contacts and, for the joint venture offering, through Joint Venture Solutions' website, <http://www.jointventuresolutionsinc.com>, which Erwin created, maintained, and controlled.

6. When prospective investors expressed interest in exploring a transaction with Malom, Erwin explained Malom's offerings, introduced investors to Malom's representatives, and participated in the securities offerings at key points.

7. Erwin and Joint Venture Solutions successfully recruited at least five investors who paid Malom approximately \$2,575,000 to enter into agreements with Malom. These investors lost all of their invested funds.

8. As a result of their efforts to recruit and act as an intermediary to investors, Erwin and Joint Venture Solutions received approximately \$210,000 in transaction-based compensation.

9. By virtue of the conduct alleged herein, Erwin and Joint Venture Solutions violated Section 15(a)(1) of the Exchange Act of 1934 (failure to register with the Commission as a broker-dealer) [15 U.S.C. § 78o] and Sections 5(a) and (c) of the Securities Act of 1933 (offering or sale of securities without a required registration statement and not exempt from registration) [15 U.S.C. §§ 77e(a) and (c)].

**JURISDICTION AND VENUE**

10. The Commission brings this action, and this Court has jurisdiction over this action, pursuant to authority conferred by Section 20(b) and 22(a) of the Securities Act [15 U.S.C. §§ 77t(b) and 77v(a)] and Sections 21(d), 21(e) and 27 of the Exchange Act [15 U.S.C. §§ 78u(d), 78u(e) and 78aa].

11. This Court has personal jurisdiction over the Defendants and venue is proper in the District of Nevada pursuant to Section 22(a) of the Securities Act [15 U.S.C. § 77v(a)] and Section 27 of the Exchange Act [15 U.S.C. § 78aa] because Defendants engaged in transactions, acts, practices, and courses of business constituting the violations alleged in this Complaint within this district.

12. The Defendants, directly and indirectly, have made use of the means and instrumentalities of interstate commerce, and the means and instruments of transportation and communication in interstate commerce, in connection with the transactions, acts, practices, and courses of business alleged in this Complaint.

13. While carrying out the actions alleged in this Complaint, the Defendants resided in this judicial district.

**DEFENDANTS AND RELATED PARTIES**

14. **James L. Erwin**, age 49, is a resident of Las Vegas, Nevada. Erwin is the founder, sole officer, and sole owner of Joint Venture Solutions, Inc. He also owns and controls Blue Sky Global Enterprises, Inc., James L. Erwin, Inc., and Nationwide Affordable Auto Sales, Inc., all corporations registered under Nevada law. At all times relevant to this Complaint, Erwin controlled all activities undertaken by Joint Venture Solutions. He created its website,

opened bank accounts under its name, controlled any and all funds it received, and communicated with existing and potential clients. Erwin has never been registered with the Commission as a broker or dealer.

15. **Joint Venture Solutions, Inc.** is a corporation organized under Nevada law in November 2009. Erwin is its sole owner, officer, and employee. At all times relevant to this Complaint, Joint Venture Solutions was in the business of inducing, or attempting to induce, others to purchase or sell securities using the mails or other means of interstate commerce. At all times relevant to this Complaint, Joint Venture Solutions operated the website: <http://www.jointventuresolutionsinc.com>. Joint Venture Solutions has never been registered with the Commission as a broker or dealer.

16. **Malom Group AG** is a company formed under the laws of Switzerland in 1973. Its principal place of business is Baar, Switzerland. “Malom” is an acronym for “Make A Lot Of Money.” Malom and its principals, Martin U. Schlöpfer and Hans-Jurg Lips are named as defendants in *SEC v. Malom Group AG, et al.*, 2:13cv2280 (D. Nev. Dec. 16, 2013). Lips and Schlöpfer are named as criminal defendants in *United States v. Brandel*, 2:13cr489 (D. Nev. Dec. 11, 2013).

17. **M.Y. Consultants, Inc.** is a consulting firm formed under the laws of Nevada in April 2007. Its principal place of business was Las Vegas, Nevada. Anthony Brandel served as its sole director. It had few, if any, regular employees. Through Brandel, M.Y. Consultants arranged transactions with Malom, handled investor funds, negotiated transaction documents, and communicated with investors. M.Y. Consultants and its director, Brandel, are named as

defendants in *SEC v. Malom Group AG, et al.*, 2:13cv2280 (D. Nev. Dec. 16, 2013). Brandel is named as a criminal defendant in *United States v. Brandel*, 2:13cr489 (D. Nev. Dec. 11, 2013).

## **FACTUAL ALLEGATIONS**

### **I. Malom's Offerings**

18. From approximately August 2009 to fall 2011, Malom and its principals, agents, and promoters used the mail and wires to defraud at least 31 investors out of approximately \$10.8 million through two schemes involving the offer and sale of securities.

#### **A. Joint Venture Offering**

19. The joint venture offering targeted investors with the promise that, for an advance fee, they could enter into trading programs and other transactions that could yield extraordinary returns (*e.g.*, 100% in a single day) through risk-free transactions utilizing Malom's substantial assets. This offering lasted from approximately August 2009 to approximately August 2011.

20. Under the joint venture agreements, investors were required to pay an upfront fee of between \$150,000 and \$1 million and identify transactions to be funded by Malom and to be entered into between Malom and third parties. In turn, Malom was to provide the investors with evidence of its supposedly substantial assets, such as a bank statement or "proof of funds" bank letter, showing that Malom, or an entity whose funds Malom purportedly had access to, had tens to hundreds of millions of dollars available in overseas banks. Malom was then responsible for exploring the investors' proposed transactions with third parties, called "contract counter-parties."

21. If, in its sole discretion, Malom deemed a transaction acceptable, it was to enter into the transaction directly with the contract counter-party and give a lion's share of the profit

back to the investor. Malom deemed acceptable only those transactions that posed “no perceptible risk of loss” to its funds.

22. Although termed “Joint Venture Agreements,” the agreements did not purport to create separate legal entities, contained no management provisions, and expressly did not create general partnerships between the investors and Malom.

23. None of the transactions in securities offered or sold by or for Malom was registered with the Commission, or is eligible for an exemption from registration.

#### **B. Structured Note Offering**

24. Under the structured note offering, which began in early 2011 and lasted through fall 2011, Malom pledged to underwrite, securitize, “credit enhance”, register, list, and market structured notes for companies who sought funding. Malom promised to sell the structured notes on unspecified “Western European” exchanges and to privately place the notes with unspecified subscribers. This offering resulted in at least six agreements and raised nearly \$3.5 million.

25. In the structured note agreements, Malom required investors to pay an upfront “underwriting fee” or “deposit” that would be used for the structured note offering. This was the investors’ sole responsibility in the structured note transactions.

26. If a transaction was successful, Malom agreed to refund the investor’s underwriting fee with a 25-50% premium. If a transaction was not successful, Malom agreed to refund the underwriting fee and pay a small penalty to the investor.

27. Generally, the structured note contracts anticipated successful transactions within 90-120 days after entering into an agreement, and thus would result in investors receiving a refund and either a success premium or penalty in that time.

28. Malom did not undertake any steps to create or market any structured notes. Instead, the underwriting fees were immediately distributed among the participants in the scheme and others who had no role in effecting the contemplated transactions.

29. Malom failed to secure any funding, did not have any funds with which to refund the structured note investors, and ultimately did not refund fees to any investor.

## **II. Defendants' Involvement in the Offering**

30. Erwin, at all times working through his company, Joint Venture Solutions, Inc., began working as a promoter for Malom and M.Y. Consultants in approximately fall 2009 and continued in this role through 2011.

31. During this time, Erwin had little knowledge or past experience in subjects such as domestic and foreign securities and financial markets, banking and bank instruments, the SWIFT system, or securities trading; had no licenses in these industries; and had received no training in such subjects.

32. Neither Joint Venture Solutions nor Erwin at any time registered with the Commission as a broker or dealer, as is required for individuals and firms seeking to offer securities to investors in the circumstances described in this Complaint.

33. The Defendants recruited investors for the joint venture and structured note programs by soliciting investors through personal contacts, telephone, email, and internet communications.

34. The Defendants held themselves out as representatives of Malom or as intermediaries between investors and Malom. Erwin explained the joint venture and structured

note programs to investors, handled contractual documents, and regularly communicated with investors regarding the status of their agreements with Malom.

35. For example, in spring 2011, Erwin contacted one investor with whom he had a prior relationship and who he knew was looking for funding for a real estate project. Erwin explained that he was associated with Malom and that Malom had the ability to fund the investor's project. After the investor became interested in the prospect of a transaction, Erwin, acting as the investors' "broker," attended several meetings with the investor and representatives for Malom and M.Y. Consultants.

36. The investor and Malom entered into a structured note transaction for which the investor paid Malom \$400,000. The investor has not received the promised funding or a refund.

37. For recruiting this investor, the Defendants were paid a \$40,000 fee.

38. In another example, in fall 2009, Erwin personally contacted another investor with whom he had a prior relationship. Erwin told this investor that, through a joint venture agreement, he could use Malom's money to pursue a high-yield trading program so long as Malom's money was not put at any risk. The investor and Malom entered into a joint venture agreement for which the investor paid Malom \$300,000.

39. For recruiting this investor, the Defendants were paid a \$25,000 fee.

40. The Defendants also solicited investors and offered to sell securities through Joint Venture Solutions' website, <http://www.jointventuresolutionsinc.com>, which Erwin maintained and controlled throughout the time period relevant to this Complaint.

41. The website heading advertises its purpose: "Joint Venture, Buy, Sell, MT799, POF, Proof of Funds, VOD, Verification of Funds."

42. On the main page of Joint Venture Solutions' website, Erwin, as "Operations Manager," describes their services as "connecting clients and our investor [Malom], to participate in [] transactions," and notes that "[o]ur investor [Malom] has allowed us to bring him potential clients that have a need to show capability to perform."

43. The website specifically targeted investors interested in Malom's joint venture offering, generally describing a transaction where "the client and the investor [Malom] sign a Joint Venture to enter into contracts together using the strength of the investor's bank accounts."

44. The website details the procedure for entering into a joint venture with Malom, directing potential investors to complete an online application and a non-disclosure agreement.

45. Erwin further describes the actions that he and Joint Venture Solutions will take to facilitate the transaction, including "send[ing] all executed documents to the client," "verifying that escrow has received the deposit for the [advance fee]," and "hav[ing] [Malom] sign the Joint Venture Agreement, and attach all authentic attachments, and deliver to escrow and Client."

46. Although the website does not mention Malom by name, it includes a sample "Joint Venture Agreement" that is identical in all substantive ways to the joint venture agreements used by Malom and refers to the "investor" as a "Suisse Company." Moreover, it references Credit Suisse and the Instituto Brasileiro De Custodias, two financial institutions with which Malom claimed to have relationships.

47. As a result of these efforts, the Defendants successfully recruited five investors, two into joint venture agreements and three into structured note transactions. Collectively, these

investors paid Malom \$2,575,000. None of the investors received a return on their investment or a refund of their advance fees.

48. Malom directed a percentage of the fees paid by each investor to the various promoters who recruited them, including the Defendants.

49. Generally, M.Y. Consultants was responsible for collecting funds from investors and distributing these payments to the promoters, including the Defendants.

50. At times, however, promoters, including the Defendants, were paid directly out of escrow accounts into which investors initially deposited funds.

51. For Defendants' efforts, Erwin received approximately of \$210,000 in transaction-based compensation.

52. Erwin received these funds directly and through entities he owned and controlled, including Joint Venture Solutions, Bluesky Global Enterprises, Inc. and Nationwide Affordable Auto Sales, Inc.

**COUNT ONE**  
**Violation of Securities Act Section 5**

53. The Commission realleges and incorporates herein by reference paragraphs 1 through 52 above.

54. Defendants, directly or indirectly, made use of the means or instruments of transportation or communication in interstate commerce or of the mails to offer and sell securities through the use or medium of a prospectus or otherwise, and carried or caused to be carried through the mails or in interstate commerce, such securities for the purpose of sale or for

delivery after sale, when no registration statement had been filed or was in effect as to such securities and no legally recognized exemption from registration applied.

55. By reason of the foregoing, Defendants violated and unless restrained and enjoined, will continue to violate Securities Act Sections 5(a) and (c) [15 U.S.C. § 77e(a) and (c)].

**COUNT TWO**  
**Violation of Exchange Act Section 15(a)**

56. The Commission realleges and incorporates herein by reference paragraphs 1 through 55 above.

57. Defendants, while acting as brokers or dealers, made use of the mails or any means or instrumentality of interstate commerce to effect transactions in, or to induce or attempt to induce the purchase or sale of, securities without being registered with the Commission as a broker or dealer or an associated person of a registered broker-dealer.

58. By reason of the foregoing, Defendants violated and, unless restrained and enjoined, will continue to violate Exchange Act Section 15(a) [15 U.S.C. § 78o(a)].

**PRAYER FOR RELIEF**

**WHEREFORE**, the Commission respectfully requests that the Court:

**I.**

Enter judgment in favor of the Commission finding that Defendants violated the federal securities laws and Commission rules alleged against them in this Complaint;

**II.**

Permanently enjoin Defendants from further violations of the federal securities laws and Commission rules alleged in this Complaint;

**III.**

Permanently enjoin Defendants from directly or indirectly participating in the issuance, offer, or sale of any security, including but not limited to joint venture agreements, proofs of funds, bank guarantees, medium term notes, standby letters of credit, structured notes, and similar instruments, with the exception of the purchase or sale of securities listed on a national securities exchange;

**IV.**

Order Defendants to disgorge, as the Court may direct, all ill-gotten gains received or benefits in any form derived from the illegal conduct alleged in this Complaint, together with pre-judgment interest thereon;

**V.**

Order Defendants to pay civil monetary penalties pursuant to Securities Act Section 20(d) [15 U.S.C. § 77t(d)] and Exchange Act Section 21(d)(3) [15 U.S.C. § 78u(d)(3)]; and

**VI.**

Grant such other equitable and legal relief as may be appropriate or necessary for the benefit of investors pursuant to Exchange Act Section 21(d)(5) [15 U.S.C. § 78u(d)(5)].

Date: April 23, 2014

By:

/s/ Stephen W. Simpson

Stephen W. Simpson  
Timothy N. England  
Stephen L. Cohen

Attorneys for Plaintiff  
U.S. Securities and Exchange Commission  
100 F Street, N.E.  
Washington, DC 20549  
Fax: 202.772.9228  
[simpsons@sec.gov](mailto:simpsons@sec.gov) / Tel. 202.551.4513  
[englandt@sec.gov](mailto:englandt@sec.gov) / Tel. 202.551.4959  
[cohens@sec.gov](mailto:cohens@sec.gov) / Tel. 202.551.4472