

ORIGINAL

IN THE UNITED STATES DISTRICT COURT U.S. DISTRICT COURT
FOR THE NORTHERN DISTRICT OF TEXAS NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION TEXAS
FILED

NOV - 8 2010

CLERK, U.S. DISTRICT COURT
By Deputy

UNITED STATES OF AMERICA

v.

MICHAEL WALLENS, JR.

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§

No.

8-10CR0314-M

FELONY INFORMATION

The United States Attorney charges:

COUNT ONE

Securities Fraud

(Violation of 15 U.S.C. §§ 77q(a) and 77x)

1. Beginning in or about September 2006 and continuing until in or about February 2007 (the "Relevant Period"), in the Dallas Division of the Northern District of Texas and elsewhere, **Michael Wallens, Jr.** ("the Defendant"), aided and abetted by others, willfully and knowingly, by use of means and instruments of transportation and communication in interstate commerce, and by use of the mails, in the offer and sale of securities, directly and indirectly employed a device, scheme and artifice to defraud, in violation of 15 U.S.C. §§ 77q(a) and 77x.

2. During the Relevant Period, the Defendant and persons acting in concert with him and at his direction (his "associates"), among whom were Michael Wallens, Sr. and A.H.A., offered and sold to investors Collateral Secured Debt Obligations ("CSDOs") issued by W Financial Group ("WFG"). The Defendant and his associates

received over \$17 million in proceeds from sales of CSDOs to more than 180 investors.

3. The CSDOs were securities, as defined by the United States securities laws, 15 U.S.C. § 77b(a)(1), because they were promissory notes. They also were a type of security known as an investment contract, because the investors contributed money to a common enterprise, and in exchange they expected to earn investment returns from the entrepreneurial efforts of persons associated with WFG.

4. Both directly and through his associates, the Defendant misrepresented a number of material facts to investors. A number of those misrepresentations were in written offering materials that the Defendant knew would be distributed to potential investors. The Defendant also made the misrepresentations directly to investors in conversation.

5. The offering materials represented that investors' money would be held in cash, government or corporate AAA bonds, automotive receivables, or insured notes, when in fact, as the Defendant well knew, he, Michael Wallens, Sr., and A.H.A. spent the investors' money in various ways that they did not disclose to investors. Acting through WFG, they used investor money to purchase Michael Wallens, Sr.'s used car dealership from him for over \$300,000. They also used investor money to purchase residential lots, and to invest in a home building company and a power company. They also took investor money as their own compensation.

6. The offering materials also represented that WFG would enter into a “relationship of trust” with each investor, in which WFG would “comply with all of the obligations of [a] fiduciary.” In reality, however, as the Defendant well knew, he, Michael Wallens, Sr., and A.H.A. were betraying the investors’ trust by using investor money for purposes that the investors neither knew about nor authorized.

7. The offering materials also represented that the “Parent Company and management group” had been conducting business “for over 17 years without on[e] customer complaint or late payment.” WFG’s parent company had been in business for over 17 years, but the Defendant knew that the management group had only been formed a few months earlier. The Defendant also knew that WFG’s SDO investments had not existed for more than a few months, and therefore claiming to have had no late payments or complaints for 17 years was misleading.

8. The facts that the Defendant and his associates misrepresented to investors were material, because they affected the safety and likely profitability of an investment in a CSDO. Furthermore, the Defendant knew the misrepresented facts were material, and he knew and intended that the facts represented to investors would mislead them.

9. Individuals acting in concert with the Defendant and at his direction directly and indirectly used means and instruments of transportation and communication in interstate and foreign commerce as part of the fraudulent scheme. For example, Michael Wallens, Sr. obtained for WFG an insurance policy from Lloyd’s of London, an entity

based in the United Kingdom. The Defendant knew about that policy and directly and indirectly represented to investors that it insured their investments, when in fact, as the Defendant knew, the policy did not insure investments.

10. On or about October 12, 2006, in the offer and sale of a \$200,000 CSDO to an investor, JFE, the Defendant directly and indirectly employed the above referenced devices, schemes, and artifices to defraud; obtained money and property by way of untrue statements of material facts, and by omitting to state material facts that were necessary in order for statements that were made not to be misleading, in light of the circumstances under which the statements were made; and engaged in transactions, practices, and courses of business that operated as a fraud and deceit upon JFE.

All in violation of 15 U.S.C. §§ 77q(a) and 77x.

FORFEITURE ALLEGATION
(18 U.S.C. § 981(a)(1)(C) and 28 U.S.C. § 2461(c))

Upon conviction for the offense alleged in Count One of this Information, the defendant, **Michael Wallens, Jr.** (“the Defendant”) shall forfeit to the United States any property, real or personal, constituting or derived from proceeds traceable to the offense, pursuant to 18 U.S.C. § 981(a)(1)(C) and 28 U.S.C. § 2461(c). The property to be forfeited includes, but is not limited to:

Money Judgment

The total amount of proceeds obtained as a result of the offense, which is at least \$200,000.

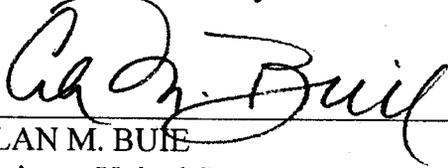
Substitute Assets

Pursuant to 21 U.S.C. § 853(p), as incorporated by 18 U.S.C. §§ 982(b)(1) and 28 U.S.C. § 2461(c), if any of the property described above, as a result of any act or omission of the Defendant:

- a. cannot be located upon the exercise of due diligence;
- b. has been transferred or sold to, or deposited with, a third party;
- c. has been placed beyond the jurisdiction of the court;
- d. has been substantially diminished in value; or
- e. has been commingled with other property which cannot be divided without difficulty,

the United States of America shall be entitled to forfeiture of substitute property up to the value of the previously described property that is subject to forfeiture.

JAMES T. JACKS
United States Attorney

A handwritten signature in cursive script, appearing to read "Alan M. Buie", is written over a horizontal line.

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