

UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION

05 NOV 17 AM 8:45
MRS

UNITED STATES OF AMERICA,

Plaintiff,

No.

1:06CR0280

vs.

Hon.

JONATHAN JAMES MAST, a/k/a
"Jacob Might"
"John J. James,"

Gordon J. Quist
U.S. District Judge

Defendant.

FELONY INFORMATION

The United States Attorney charges:

Between in or about January, 2002 and January, 2004, in the City of Grand Rapids, in the Southern Division of the Western District of Michigan and elsewhere,

JONATHAN JAMES MAST,

did conspire with James Michael Horton and with others to commit offenses against the United States, and members of the conspiracy engaged in actions to effect the objects of the conspiracy. Specifically, the defendant agreed with others to commit acts which violated federal laws relating to bank fraud (18 U.S.C. § 1344), mail fraud (18 U.S.C. § 1341) and money laundering (18 U.S.C. § 1956 and § 1957).

OBJECTS OF THE CONSPIRACY

The overall goal of the conspiracy was to fraudulently obtain funds from banks and finance companies for use by those coconspirators primarily involved in running a company variously called Cybernet Engineering, Cyberco Holdings, CyberNET, and other names. (Hereafter, the organization will be referred to as "CyberNET".) The fraudulently-obtained funds were used to personally enrich those coconspirators principally involved in operating CyberNET (hereafter referred to as the "CyberNET Principals"), or to repay earlier fraudulent loans so that the fraud would not be detected. Between 2002 and 2004, CyberNET was able to fraudulently obtain approximately \$90,000,000 from approximately 40-50 lending institutions nationwide.

MANNER AND MEANS OF THE CONSPIRACY

The primary objective of the CyberNET conspiracy was to deceive lending institutions in order to obtain financing under false pretenses. This goal also required the CyberNET Principals to expend a substantial amount of effort to prevent lenders from discovering that they had been deceived. In order to carry out the objects of the conspiracy, members of the conspiracy engaged in the following activities:

1. Certain CyberNET Principals supplied lenders with falsely overstated financial information about CyberNET in connection with funding requests.
2. CyberNET Principals created false records to support their claim that CyberNET was a profitable enterprise. These false records were provided both to lending institutions and to accounting firms which were asked to independently verify

CyberNET's value. The false records were transmitted both by interstate wires and through the United States mail. In addition, the CyberNET Principals created Disbursement Management Services, Inc. ("DMS") as a shell company which did no business. The CyberNET Principals falsely identified DMS as a real company CyberNET had hired to pay state sales taxes on its sales, and created false records relating to DMS.

3. When CyberNET Principals created false business records relating to its customers, they had to plan for the possibility that a lender or accounting firm would attempt to directly contact the customer by letter. In order to avoid discovery of the fraud in this manner, CyberNET Principals opened commercial mail box accounts for the fictitious customers, so that correspondence to the customers could be intercepted and responded to by the conspirators.

4. The CyberNET Principals also planned for the possibility that a lender or accounting firm would attempt to contact a bogus customer by telephone. In order to avoid detection in this way, the CyberNET Principals also hired a voice message service and acquired a series of telephone numbers having different area codes, so that lenders would be misled into believing that CyberNET's customers were located at different points around the United States. CyberNET employees recorded a message for each telephone number asking the caller to leave a message. All messages were then retrieved by a member of CyberNET, who would return the call posing as the customer. In this manner, any telephone inquiry would be routed back to CyberNET without the

knowledge of the caller.

5. The lenders dealing with CyberNET were falsely told that the borrowed money would be used to purchase or lease office or computer equipment. In order to substantiate this false statement, CyberNET Principals used fictitious shell companies called Teleservices Group ("Teleservices"), T-Resources and Corporate Property Associates ("CPA"). These companies had no employees, had no capital, did not manufacture anything and performed no services. However, CyberNET told its lenders that they were the companies which would sell furniture or equipment to CyberNET in exchange for the borrowed funds. The CyberNET Principals created false invoices from these shell companies to demonstrate that the lender's money had in fact been used in the manner described. In fact, the borrowed money was either used to enrich CyberNET Principals, to repay earlier loans, or to fund ongoing operations.

6. The CyberNET Principals knew that potential lenders would take steps to verify how the borrowed money would be used. In order to fool those seeking to verify that equipment was being sold to CyberNET, the CyberNET Principals employed mail forwarding services and a "virtual office" to create the appearance that the shell companies had actual business locations. In reality, all inquiries to these companies were redirected back to CyberNET, where individuals there would assume fictitious identities and falsely confirm the information contained in the phony sales documents. Those participating in this deception would sometimes be provided with scripts to read from when contacted by lenders or accounting firms.

7. When a loan was made to CyberNET, the lender took a security interest in the equipment supposedly being purchased with the loan. Often, lenders sent representatives to CyberNET to inspect the equipment. In order to deceive these inspectors, the CyberNET Principals took steps to make it appear as if the nonexistent equipment were actually on the premises. If computer equipment was involved, the CyberNET Principals arranged to hook up empty computer server boxes to wires to give the appearance that they were functioning computer servers. Serial numbers corresponding to loan documents were attached to these empty boxes. An inspector would thus have the false belief that CyberNET maintained a huge computer center made up of scores of valuable computer servers. CyberNET Principals referred to these empty shell computers as "blinky boxes." If some other equipment was involved, empty shipping boxes full of bricks would be placed on site to trick the inspectors.

8. **JONATHAN JAMES MAST**, the Vice President of Sales between 2000 and 2004, was a CyberNET Principal who made fraudulent statements to CyberNET lenders.

OVERT ACTS

Some of the overt acts engaged in by the defendant to further the objects of the conspiracy include the following:

1. In or about October, 2003, **JONATHAN JAMES MAST** assisted in creating Corporate Property Associates business cards. These cards were used by others to defraud CyberNET lenders.

2. On or about November 3, 2003, **JONATHAN JAMES MAST** talked by telephone with representatives of Relational Funding LLC, a CyberNET lender.

JONATHAN JAMES MAST used the alias "John James" and falsely stated that he was a salesman employed by Corporate Property Associates.

18 U.S.C. § 371
18 U.S.C. § 1344
18 U.S.C. § 1341
18 U.S.C. § 1956
18 U.S.C. § 1957

Dated: 11/16/06

MARGARET M. CHIARA
United States Attorney



TIMOTHY VERHEY
Assistant United States Attorney