

IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF VIRGINIA

Richmond Division

UNITED STATES OF AMERICA	)	<u>UNDER SEAL</u>
	)	Criminal Action No. 3:19-cr- <u>117</u>
)	
	)	Conspiracy to Commit Wire Fraud
	)	18 U.S.C. § 1349
v.	)	(Count 1)
)	
	)	Wire Fraud
BRIAN MICHAEL BRIDGE,	)	18 U.S.C. §§ 1343 & 2
(Counts 1 & 2)	)	(Count 2)
)	
JAMES MICHAEL JOHNSON,	)	Criminal Forfeiture Allegation
(Counts 1 & 2)	)	18 U.S.C. §§ 981 & 982
)	
JAMES LEONARD SMITH,)	
(Counts 1 & 2))	
)	
Defendants.)	

INDICTMENT

August 2019 Term - At Richmond, Virginia

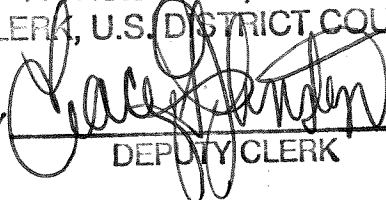
THE GRAND JURY CHARGES THAT:

INTRODUCTORY ALLEGATIONS

At all times relevant to this Indictment:

Defendants, Co-Conspirators, and Related Entities

1. Defendant BRIAN MICHAEL BRIDGE was a principal in various companies based in the United Kingdom, including Chimera Group, Ltd. (Chimera) and Ion International Holdings (Ion). Ion's website described Chimera as a wholly owned subsidiary of Ion, and Ion held itself out to be a Hong Kong-based corporation established in 2015. The website further

A TRUE COPY, TESTE:
CLERK, U.S. DISTRICT COURT
BY 
DEPUTY CLERK

described the companies as a continuation of a 10-year-old fund wholly owned and operated by BRIDGE, which held more than \$5 billion diversified across various asset classes. The website described BRIDGE as having more than 15 years of successful experience in structuring, underwriting, and trading collateralized securities. BRIDGE solicited funds in his individual capacity and through these entities.

2. Defendant JAMES MICHAEL JOHNSON previously was a financial planner and investment advisor who lived and worked in the Richmond, Virginia metropolitan area. JOHNSON solicited funds as part of this conspiracy in his individual capacity and through two businesses—1st Street Marketing and Consulting, LLC, and Paladin Consulting LLC. At various times throughout the pendency of the conspiracy, JOHNSON also held positions with Chimera and Ion.

3. Defendant JAMES LEONARD SMITH, a resident of the Richmond, Virginia metropolitan area, solicited funds in his individual capacity and through a business called Pallas Agency, LLC. At various times throughout the pendency of the conspiracy, SMITH also held positions with Chimera and Ion.

4. Co-Conspirator 1, a resident of California, was an attorney practicing in that state.

Advance Fee Schemes

5. Advance fee schemes typically involve promoters who promise to pay victims a sum of money at a later date in exchange for an upfront advanced payment. The object of such schemes is to entice individuals and businesses into sending money in the hopes of receiving large payouts that will solve their financial problems. The victim individuals and companies often, but not always, are not able to raise money through conventional financing.

6. Advance fee scheme promoters will often use fabricated bank documents in order to induce victims into sending them large sums of money. In one variety of an advance fee scheme, a fraudulent standby letter of credit (“SBLC”) is offered to victim individuals and businesses as a means of obtaining large sums of money in exchange for the transfer of up-front funds to scheme participants. Scheme participants typically promise clients that they will receive hundreds of thousands or millions of dollars in exchange for the deposit of a fraction of that amount. In another variety of an advance fee scheme, scheme promoters will offer a fraudulent blocked funds letter (“BFL”) to victim individuals and businesses as a means of obtaining large sums of money from them. The BFL generally states that an amount of money equal to the amount of money sought from the victim has been set aside—or “blocked”—in a bank account, giving victims the false assurance that their principal payment is being protected. In both of these varieties of an advance fee scheme, the letters are often printed on the letterhead of a large, reputable international financial institution, and the letters appear to be official documents from that institution. However, the letters are fabricated and are not actually issued by the financial institution.

7. Advance fee schemes often make use of “escrow agents,” many of whom are licensed attorneys. The scheme participants tell victims that the escrow agent will hold their money in escrow, thereby giving victims further false assurance that their money is being protected. However, the escrow agents are themselves scheme participants, and they usually immediately disburse the victims’ funds to themselves and the other scheme participants.

8. However, scheme participants have no intention to obtain the funds for the individuals and businesses whom they solicit to participate in the advance fee schemes. Money

sent to scheme participants, including to purported escrow agents, is typically stolen shortly after it is transferred to them.

The Scheme and Artifice to Defraud

Beginning prior to July 1, 2014, and continuing through on or about March 27, 2019, the exact dates being unknown to the Grand Jury, in the Eastern District of Virginia and within the jurisdiction of this Court, as well as elsewhere, defendants BRIAN MICHAEL BRIDGE, JAMES MICHAEL JOHNSON, and JAMES LEONARD SMITH, along with others known and unknown to the Grand Jury, did knowingly, unlawfully, and with intent to defraud, execute and attempt to execute a scheme and artifice to defraud and to obtain property by means of materially false and fraudulent pretenses and promises through the transmission of signs, signals, and writings in interstate commerce.

Objects of the Scheme and Artifice to Defraud

The objects of the scheme were for the members of the scheme to (a) unlawfully enrich themselves by obtaining funds from individuals and businesses through an advance fee scheme, in particular, by knowingly offering materially fraudulent SBLCs and BFLs to individuals and businesses with associated fraudulent escrow services, and diverting those funds to themselves; and (b) conceal from investors the manner in which the coconspirators were using the stolen investor proceeds.

Ways, Manners, and Means of the Scheme and Artifice to Defraud

The ways, manners, and means of the scheme and artifice to defraud included, but were not limited to, the following:

1. BRIDGE, JOHNSON, and SMITH approached individuals in search of high-yield investments and start-up businesses in search of capital. BRIDGE, JOHNSON, and SMITH

offered individuals the prospect of a high-interest-rate loan to Chimera or Ion. They offered the start-up businesses the prospect of securing capital from Chimera or Ion.

2. When dealing with the start-up businesses, BRIDGE, JOHNSON, and SMITH advised the businesses to temporarily loan money to Chimera or Ion at a high interest rate to prove their own creditworthiness and establish that they would not be completely reliant on Chimera or Ion for capital. They further advised that upon the loans' maturity, the businesses would receive the capital they sought. To create the impression that these loans were preludes to more substantial capital investments in the businesses, BRIDGE, JOHNSON, and SMITH also provided the businesses with agreements under which Chimera or Ion would receive an ownership interest in the businesses in return for providing the capital.

3. The representations conspirators made to individuals and businesses varied over time, but typically BRIDGE, JOHNSON, and SMITH guaranteed that funds loaned to Chimera and Ion were secured by purported bank accounts at Financial Institution A, a Spanish bank and financial services conglomerate. To this end, they provided investors with forged BFLs purportedly from Financial Institution A. These BFLs falsely represented that Chimera or Ion had funds equalling the amount of the loan reserved in a bank account. In some instances, these fraudulent documents were drafted by SMITH.

4. BRIDGE, JOHNSON, and SMITH also provided assurances to individuals and businesses by using attorneys' escrow accounts, including that of Co-Conspirator 1, for the collection and disbursement of investor funds. In support of those assurances, BRIDGE, JOHNSON, and SMITH provided term sheets to victim investors, which read, in part, that if Chimera failed to issue an SBLC or BFL within 48 banking hours of the victim investor providing the deposit, then "Chimera shall cause the Escrow Agent to reimburse the Deposit

amount, in full, and all interest payable thereon, back to” the victim investor’s bank account.

However, in almost every situation, the money provided by the victim investor was immediately sent out of the escrow account by Co-Conspirator 1 to BRIDGE, JOHNSON, SMITH, and other entities and individuals associated with the scheme.

5. Once collected, Co-Conspirator 1 disbursed the funds from his escrow account to himself, BRIDGE, JOHNSON, and SMITH, and other co-conspirators who converted the funds to their own use. On occasion, an individual or business received a nominal interest payment on their loan. The conspirators usually made these payments when the maturity date on a loan was close and they intended to ask the individual or business to roll over or renew the loan for an additional period. Co-Conspirator 1 often disbursed these nominal interest payments from his escrow account via wire transfers.

6. The maturity dates for all loans or renewals passed, after which no individual or business received any additional interest payments or return of principal. Furthermore, no business ever received the promised capital investment.

7. Among the victims from whom the defendants solicited funds was Company A, a non-profit volunteer fire-fighting company located in Exmore, Virginia. T.L. and P.L., husband and wife, were respectively the President and Treasurer of Company A. T.L. and P.L. engaged JOHNSON as financial advisor to the organization.

8. During the summer of 2016, JOHNSON approached P.L. and T.L. about a proposed loan to Chimera. JOHNSON advised that a loan of \$100,000 to Chimera would yield a return of six percent per quarter. JOHNSON stated that the funds would be going to an attorney in California and then eventually to a bank overseas. JOHNSON further guaranteed Company A would receive payment of earned interest and return of principal (if requested) on a quarterly

basis.

9. Thereafter, Company A issued a check payable to Co-Conspirator 1 for \$100,000, which was deposited into Co-Conspirator 1's escrow account on or about June 7, 2016.

10. Between on or about June 7 and 13, 2016, Co-Conspirator 1 caused the disbursement of Company A's funds from his escrow account. These disbursements included:

- \$63,600 to the Pallas Agency;
- \$5,000 to 1st Street Marketing & Consulting;
- \$9,880 international wire to a relative of BRIDGE in the United Kingdom;
- \$13,000 international wire to an account in Mexico with reference to "Chimera/Brian Bridge payment"; and
- \$5,000 to Co-Conspirator 1.

11. Around the time Company A provided JOHNSON with the funds, JOHNSON provided Company A with a fraudulent BFL purportedly from Financial Institution A dated June 10, 2016, falsely stating that Financial Institution A was holding \$100,000 in a Chimera account as a guarantee for Company A's loan. In fact, Financial Institution A never issued the BFL, and the Chimera account referenced in the BFL did not exist.

12. On or about November 15, 2016, Company A received an interest payment of \$5,000, wired by Co-Conspirator 1 to Company A's bank account. Thereafter, Company A agreed to roll over the principal investment for an additional four-month term.

13. In or about February 2017, Company A advised JOHNSON that it wanted its principal on the Chimera loan returned to it along with the next interest payment, scheduled for February 13, 2017. On February 13, 2017, SMITH sent an email to BRIDGE and Co-

Conspirator 1 (with JOHNSON and P.L. copied) requesting that Company A receive the scheduled interest payment and return of the loaned principal.

14. On February 13, 2017, BRIDGE responded to SMITH's email, stating in part:

Thanks for sending out this e-mail and also Mj [JOHNSON] thanks for updating your guys personally. Just to confirm that the said funds will be there next week, as I will be finishing off what I am doing there, please note for a bonus for all who wait till next week I will pay a further 10K for the weeks wait. Thanks for the patience and I am sorry but I need a week to finish off what I have to do in China and all the funds will be sent to manage all closings. Regards, B. Michael Bridge.

15. As of March 6, 2017, Company A had not received the scheduled interest payment or return of its principal. On that day, P.L. sent BRIDGE, SMITH, JOHNSON, and Co-Conspirator 1 an email again requesting the scheduled interest payment and return of the loaned principal. P.L. also stated that if Company A had not received these funds by March 16, 2017, it would contact its attorney.

16. On March 8, 2017, JOHNSON replied to P.L.'s email as follows:

I wanted to follow up on the e-mail that you received from Michael Bridge. The attached article addresses the process that Michael is dealing with in China. Michael is the only person that can repay your money. He has promised to pay [Company A] and [Financial Institution A] has guaranteed your money. We are simply late due to the process mentioned in the article. You will be paid. Michael has been in China for three months. He expected to be finished with his visit in January. I am so sorry that the delay in China that Michael has experienced has inconvenienced you. He has promised me that he will honor his commitment to you. Sometimes delays happen---I assure you it was not intentional.

17. To date, Company A has not received the additional promised interest payments or return of its principal.

18. As a result of this scheme to defraud, the conspirators obtained at least \$6.2 million in funds to which they were not entitled.

COUNT ONE
(Conspiracy to Commit Wire Fraud)

1. The Introductory Allegations are incorporated by reference as if fully set forth here.

2. Beginning prior to July 1, 2014, and continuing through on or about March 27, 2019, the exact dates being unknown to the Grand Jury, in the Eastern District of Virginia and within the jurisdiction of this Court, as well as elsewhere, defendants BRIAN MICHAEL BRIDGE, JAMES MICHAEL JOHNSON, and JAMES LEONARD SMITH unlawfully and knowingly conspired with each other and others, known and unknown to the Grand Jury, to commit offenses contained within Chapter 63 of Title 18 of the United States Code, that is: to knowingly execute and attempt to execute a scheme and artifice to defraud and to obtain property by means of materially false and fraudulent pretenses, representations, and promises, and for the purpose of executing the scheme and artifice to defraud transmitted and caused transmission of writings, signs, and signals in interstate and foreign commerce, in violation of Title 18, United States Code, Section 1343.

(All in violation of Title 18, United States Code, Section 1349.)

COUNT TWO
(Wire Fraud)

1. The Introductory Allegations are incorporated by reference as if fully set forth here.
2. On or about the following date, in the Eastern District of Virginia and within the jurisdiction of this Court, as well as elsewhere, for the purpose of executing and attempting to execute the scheme and artifice to defraud, defendants BRIAN MICHAEL BRIDGE, JAMES MICHAEL JOHNSON, and JAMES LEONARD SMITH, aided, abetted, induced, counseled, and encouraged by each other and by others known and unknown to the Grand Jury, caused to be sent and delivered in interstate and foreign commerce via wire communication the signs, signals, and writings set forth below:

Count	Approximate Date	Wire Communication
2	11/15/2016	\$5,000 wire transfer from Co-Conspirator 1's escrow account via Dallas, TX Federal Reserve Bank to BB&T account of Company A in Virginia Beach, VA.

(In violation of Title 18, United States Code, Sections 1343 & 2.)

CRIMINAL FORFEITURE ALLEGATION


Pursuant to Rule 32.2(a) FED. R. CRIM. P., the defendants are notified that, if convicted of the offenses alleged in Counts One and Two, they shall forfeit to the United States any property constituting, or derived from, proceeds obtained directly or indirectly as the result of such violations, including, but not limited to, any assets which may be directly forfeitable as proceeds or subject to forfeiture as a substitute asset. Property subject to forfeiture includes, but is not limited to, **a money judgment in the amount of at least \$6,200,000.**

(In accordance with Title 18, United States Code, Section 981(a)(1)(C), as incorporated
by 28 U.S.C. § 2461(c).)

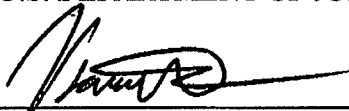
A TRUE BILL:

FOREPERSON

G. ZACHARY TERWILLIGER
UNITED STATES ATTORNEY

By: 
Michael C. Moore
Assistant United States Attorney

ROBERT ZINK
CHIEF, FRAUD SECTION
CRIMINAL DIVISION
U.S. DEPARTMENT OF JUSTICE

By: 
Vasanth Sridharan
Trial Attorney, Criminal Division