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Press Release

Lifeline Ambulance CFO - Ex-Wife on Stand Today for US

Embezzled Millions in 2006 - Divorce Decree Criminal Matter

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Karen L. Jones, now Petersen, was on the witness stand today to testify for federal prosecutors. She was fired for embezzling millions in 2006. (See April 2006 releases.) She and her divorce lawyer reported James Jones to the IRS in 2006 for money laundering after J. Jones fired her to divert attention from their embezzlement scheme, which had been ongoing since 2003. They hired IRS Criminal Investigator Walter C. Jones for his expertise in the accounting forensics field. W. Jones was fired following the divorce that was initiated after J. Jones fired K. Jones in April 2006 after bank analyst discovered missing funds. According to J. Jones's lawyer, the divorce was filed without basis and unethical as another "ruse" to distract from the embezzlement and a criminal matter. None of this was mentioned today nor cross-examined. There were no marriage complaints in their planning meetings with her lawyer, which were dictated and left at Lifeline, just that J. Jones owned his businesses before marriage and that they wanted money. J. Jones never took money out, which presented the problem.

She and her lawyer, John Huntington of Christiansburg, began constructing a solution to her "dilemma," which he warned her about in early 2003. She was the high-income earner in the relationship and J. Jones owned everything before their marriage. Previously married to J. S. from 1984 to 1988 K. Jones is a graduate of Virginia Tech in accounting. She and J. Jones married in 1994, and J. Jones started Lifeline in May 1987. J. Jones also had the "flexible schedule for the kids," which was a problem. They developed a "lawyer's plan" to address this. None of this was mentioned either. K. Jones was not with Lifeline Ambulance initially but joined afterward.

K. Jones is the government's star witness because she and her lawyer used a Decree of Divorce of Oct 3, 2011 obtained through several frauds committed during the divorce proceedings, causing seven lawyers to drop J. Jones. The last lawyer hired in Richmond for the appeal stated it was a "*criminal matter—contact the Virginia State Police.*" He "*cannot be involved after seeing the lawyers' files.*" That was 10 days before an opening brief in the Court of Appeals was due.

The government was made aware of the frauds in December 2012 by J. Jones, but they used them anyway today. In the Decree, there is a fictitious \$1.6 M car collection that her lawyer told her to fabricate. There is real estate J. Jones never owned. There is income structuring that she and her lawyer were hiding as part of the embezzlement. Before the ink was dry, they gave the Decree to the IRS in Roanoke, where Walter C. Jones worked. "*These are the people who should be on trial.*" When an IRS Criminal Investigator came to see J. Jones at a court hearing in late 2012, he had to visit them. He carried all the proof about the frauds and Walter C. Jones, which they refused to take from J. Jones. The Decree is the very essence of their case today, and they know full well it is fraudulent.

There is a long list of frauds committed by her and Huntington. U.S. District Court Judge Urbanski already ruled in a pre-trial conference that the U.S. could not use the Decree because it was "*hearsay in his court*". J. Jones made objections attached to the Decree indicating issues with it, and there were objections attached to the subsequent Order for Judgment that the U.S. did use, but they did not include J. Jones's objections attached to the order. They used just the top sheet without J. Jones's objections—another fraud once again.

Because there were no marital assets, K. Jones and Huntington made up a written and electronic list of cars and accused J. Jones of owning a collection. They included them in an exhibit package during a July 2007 divorce hearing that was prepared the night before to ambush the Judge and J. Jones's lawyer, who happened to be a car guy. He quickly pointed out the vehicle identification numbers (VINs) were complete frauds, as if an 8-year-old had made them up.

Most people do not realize that VIN's are a car's DNA sequence with a meaning. That wiped out two ridiculous lists they had with fictional car names as well. K. Jones admitted making them up on cross-examination. There was a purportedly barely legible handwritten list

she claims J. Jones made, but his lawyer immediately realized it was her handwriting with several more ridiculous descriptions. That list has several intrinsic and extrinsic fraud elements to a keen eye.

More importantly, J. Jones's lawyer had a 2005 email from Huntington telling her to make up the list because he had nothing to prove the existence of cars but a list not on hand today. The list he had at the end of 2005 included four vehicles, none of which belonged to J. Jones. It contained a Ford F250, Ford Excursion, her VW camper, and a minivan. Except for the VW, the rest were company-owned, not J. Jones's. There are a few other pieces of evidence, including drafts of that large list obtained by a private investigator from a "trash pull" immediately following a meeting between her, Huntington, and Walter C. Jones late Feb 2007. We never saw the finished product until minutes into the trial—not on hand that day.

Lifeline records its phone calls, and in November, when K. Jones was "recruiting Huntington's team," she was asked about assets they could steal, and cars came up. She said, "nothing really." The truth is, J. Jones was on call 24/7 and needed something modern with emergency equipment, radios, and a truck for various utility uses. The fact is they came up empty-handed on more things to steal and began making up stuff.

All the real estate in the Decree was owned by an entity J. Jones did not own. They created a false narrative about that too, to the point that by then, Jones's lawyer was accusing them of fraud in court during the trial of July 2007. After he had time to review that new exhibit package, he discovered several other disturbing findings that led him to abruptly quit.

K. Jones's own expert witness that day, Joel Miller, CPA, testified he was not a car guy but knew enough to realize those VINs were "not enough to put any price on." The Judge passed on the list that trip, for it was a support hearing, but the same ambush occurred again in 2010 with the same list. This time J. Jones was doing his own divorce after six lawyers had quit by then.

Same trick in the September 16-17, 2010, divorce hearing an exhibit package was made the day before and should not have been allowed. The required notice is 30 days, and the Judge absolutely could not consider it under 14 days. Supreme Court Rule 3(1:180) for trial exhibits.

Karen L. Jones testified that she was present when Lifeline was started, which is not true. Lifeline was never in the wheelchair van business either. She testified that James Jones and she bought a condominium but knew nothing about the details or how it was paid for. In actual Lifeline emails from that era, she brags about having a timeshare in St. Martin. The U.S. tracks wire transfers, and James Jones has never done a wire transfer in his life. The U.S. failed to ask **FinCEN** about this on Wednesday. She was the Lifeline CFO, yet she claimed to know nothing. She alleged that James Jones took money out of Lifeline, which is not true, quite the opposite. Lifeline never issued James Jones a 1099 either. She was last in Saint Martin in 2005.

The U.S. asked Karen Jones about embezzlement, to which she responded that the court dismissed those charges. However, she filed for bankruptcy to have them stay and forced a dismissal. She should have been criminally prosecuted by Montgomery County, but she and Mary Pettit are quite good friends. \$400,000 in approximately 50 forged checks would land anyone else in jail. Pettit continues to obstruct justice in both The LLC embezzlement and the \$ 6.5 million Lifeline embezzlement cases.

Karen L. Jones testified that Falling Branch Properties LLC is owned by James Jones, which is false. It's an operating company for the Jones family estate for the benefit of the children. James Jones's father did not want any family gifts going to Karen Jones, so Falling Branch was created in 1998. Karen L. Jones was stealing from the children of James Jones Sr.'s only grandchildren. The truth is there was no marital estate by design. Her lawyer, John Huntington, fabricated one and then gave it to the US to pursue James Jones. She testified that James Jones owned a property on Aspen Ave. in Richmond, which is false; LLC held it.

The U.S. then moved on to the fictitious car collection they fabricated, she brought yesterday by way of photographs she admitted taking exhibits 403,404,405. The problem is other people and businesses owned these vehicles, not James Jones. Exhibit 404 has part of a car exposed from under a car cover and nothing else. Exhibit 405 has two cars on it and was used in the divorce. She is not aware that she committed major perjury with these pictures, which were the topic of fraud in her divorce.

Seven lawyers quit the case because of this, and the husband's two lawyers said it was a "*criminal matter*". James Jones did not own any of the six vehicles pictured in the court exhibits. One picture was of a 1968 Dodge Coronet with an antique Virginia license plate. When James

Jones first saw this picture, it was during his appeal of the divorce decree, provided to his lawyer in an exhibit package for court in Feb 2007. On the day of the trial her lawyer switched out the package with one made the night before without that picture. They submitted a CD instead and that picture was not used that day. Jones's lawyer David Skewes, Esq. was prepared for the courtroom ambush fake car collection matter and confronted it in July 2007.

Everyone was unaware that the 1968 Dodge Coronet only had one owner, who purchased it in 1967 at Beach Brothers Dodge in Salem. James Jones tracked down the owner, James Epperly of Elliston, using the license plate and house pictured in the yard. Epperly was unaware that his car was used in a crime and fraud. He testified in Juvenile & Domestic Court in 2013, stating he did not know James Jones until James Jones knocked on his door a month ago. Epperly explained his unique history with the car, stating he never sold it and had no idea how it ended up in a divorce case. Judge Robert Viars stated he found all this quite “*novel*”.

Another black car picture was found in Cedar Rapids, IA where her parents are from, with the same story; James Jones never owned it either. There was an RV owned by the business, not James Jones. Exhibit 403 includes a picture of three more cars she alleged James Jones owned. She knew this for sure as she did the accounting for those businesses and James Jones did not own any of them. The U.S. offered no paperwork on those vehicles even though they were listed on the company tax returns. Karen L. Jones claimed to have no paperwork either, which was another lie. She had the tax records on Exhibit 403 and provided them in the divorce. The U.S. had all these records but chose not to disclose them, as they waited until that moment to present the picture to the defense, leaving them no time to challenge her claims. Those pictures have never been seen by anyone except the lawyers who quit.

These five vehicles appeared listed in the fabricated car collection list she provided to the Divorce Court in 2007 and 2010 as the basis for the \$1.4 million Judgment the U.S. is using to base its case. She claimed James Jones made the list for her on January 15, 2006, for divorce purposes. James Jones was not in the USA that week. The U.S. case is built on a huge fraud designed by her and her lawyer and the criminal investigator they hired in 2005-2007 before he was fired from the divorce for being unethical.

These people are criminals, James Jones provided this information to the agent who summoned him in December 2012, but the agent refused to act on it, ignoring it completely.

Karen Deer, IRS-CI, attended a support hearing where James Epperly told his story about the 1968 Dodge Coronet. The IRS is fully aware of the fraud, and apparently, the DOJ had no problem using it to further their agenda against James Jones.

So why put so much effort into this car matter? In late 2005 after liquidating the capital account in the Jones Estate and embezzlement from the Lifeline companies, around \$400,000 was needed to cover bills in an eminent crisis created by Karen L. Jones. James C. Jones Sr. covered the shortfall with the bank. The US is trying to connect dots that don't exist. The U.S. forgot to ask Karen Jones how that the Decree of Divorce came to be involved to be all this to begin with. They also forgot to ask about her relationship with the IRS CI Walter C. Jones her lawyer hired as a forensic consultant in 2005 to help make up these lists and cover up their crimes.

In a case of irony Walter Jones's colleague Karen Deer, IRS CI came to handle current investigation and was offered all the 2005-2007 evidence. Deer sat in on that 2013 hearing where a witness James Epperly testified that it was his car since "*new in 1967 and knew neither Jones's*", one would think the lead IRS-CI, for that matter, both would have been called to testify.

There was no mention of her adultery and being fired and a scathing Virginia Employment Commission Report.

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