

STATE OF SOUTH CAROLINA)
)
COUNTY OF RICHLAND)

IN THE COURT OF COMMON PLEAS
FOR THE FIFTH JUDICIAL CIRCUIT

ALAN WILSON,)
in his official capacity as the)
SECURITIES COMMISSIONER FOR)
THE STATE OF SOUTH CAROLINA,)

Plaintiff,)

-vs-)

JONATHAN W. BROOKS,)
J. BROOKS FINANCIAL, INC., BROOKS)
REAL ESTATE HOLDINGS, LLC,)
AND COMPASS ACADEMY, LLC,)

Defendants.)

COMPLAINT

13-CP-40- 01316

2013 MAR -5 AM 9:05
JEANETTE H. MOSBRIE
C.C.P. & C.S.
RICHLAND COUNTY
FILED

The Plaintiff, Alan Wilson, in his official capacity as the Securities Commissioner for the State of South Carolina (the "Securities Commissioner"), complaining that Defendants Jonathan W. Brooks ("Brooks"); J. Brooks Financial, Inc. ("JBF"); Brooks Real Estate Holdings, LLC ("BREH"); and Compass Academy, LLC ("Compass") (collectively, the "Defendants") have engaged in acts, practices, and transactions which violate the South Carolina Uniform Securities Act of 2005, S.C. Code Ann. § 35-1-101 et seq. (Supp. 2012) (the "State Securities Act"), alleges the following:

PARTIES

1. Defendant Brooks, at all times material herein, was a resident of South Carolina.
2. Defendant Brooks, at all times material herein, was the registered agent and principal control person of Defendant JBF.
3. Defendant JBF is a South Carolina corporation.
4. Defendant JBF's filings with the Secretary of State's office indicate a registered address of 233 Barnwell Avenue NW, Aiken, South Carolina 29801.

5. Defendant JBF's website indicates an address of 124 Laurens Street, NW, Aiken, South Carolina 29801.
6. Defendant Brooks, at all times material herein, was the registered agent and principal control person of Defendant BREH.
7. Defendant BREH is a South Carolina Limited Liability Company.
8. Defendant BREH's filings with the Secretary of State's office indicate a registered address of 124 Laurens Street NW, Aiken, South Carolina 29801.
9. Defendant Brooks, at all times material herein, was the registered agent and one of the principal control persons of Defendant Compass.
10. Defendant Compass is a non-profit eleemosynary corporation.
11. Defendant Compass' filings with the Secretary of State's office indicate a registered address of 124 Laurens Street NW, Aiken, South Carolina 29801.

JURISDICTION

12. Defendants are persons who are doing business in South Carolina by offering and selling securities in this State as defined in the State Securities Act, S.C. Code Ann. §§35-1-102(29) and 35-1-610(c) (Supp. 2012).
13. This Court has jurisdiction over the parties and the subject matter of this action.
14. This action is properly brought in the Richland County Court of Common Pleas.
15. This civil action is brought pursuant to S.C. Code Ann. §35-1-603(a), which authorizes the Securities Commissioner to bring an action in the Richland County Court of Common Pleas to enjoin violations of and enforce compliance with the State Securities Act.

VENUE

16. Venue is proper in the Richland County Court of Common Pleas, Fifth Judicial Circuit.

ALLEGATIONS

17. The Defendants have been and are offering persons (“investors”) the opportunity to invest in so called “units of membership interests” and earn a return with no active participation or decision making required by the investor.
18. In connection with the opportunity, investor money was pooled in one or more bank accounts.
19. In connection with the opportunity, investor fortunes are interwoven with and dependent upon the efforts and success of the Defendants.
20. The opportunities being offered constitute securities under South Carolina law.
21. Offers and sales of the securities are being made in this State by means of offers and sales from this State to residents of this State.
22. Offers and sales have also been made in this State to investors in one or more other States.¹
23. The securities being offered are required to be registered prior to their offer and sale in this State.
24. The securities being offered were not registered with the State Securities Division before they were offered and sold in this State.
25. The persons offering the securities are required to be registered as broker-dealers and/or agents prior to their offering and selling the securities in this State.
26. The persons offering the securities were not registered with the State Securities Division as broker-dealers or agents of BREH, the issuer of the securities, prior to the offer and/or sale of the securities in this State.²

¹ Pursuant to the State Securities Act, offers to sell securities are made “in this State” whether or not either party is then physically present in this State, if the offer (i) originates from within this State; or (2) is directed by the offerer to a place in this State and received at the place to which it is directed. See S.C. Code Ann. § 35-1-610 (c).

27. On or around February 25, 2013, the State Securities Division issued a “Notice of Intent to Seek the Revocation of Investment Adviser, Investment Adviser Representative, and Broker-Dealer Agent Registrations” (“Notice of Intent”) to Defendants Brooks and JBF.
28. The Notice of Intent, a copy of which is attached hereto as Exhibit A and incorporated herein by reference, alleges wrongdoing by Brooks and JBF that, if proven at a hearing, would form the basis to revoke Brooks and JBF’s securities registrations in South Carolina.
29. Following the issuance of the Notice of Intent, additional information was learned concerning Defendants’ securities activities in and from South Carolina. These findings follow in paragraphs 30 on.
30. Defendants have, on one or more occasions, misappropriated investor funds for personal use.
31. Defendants have, on one or more occasions, used proceeds from a later investor to fund repayment of a portion or all of an earlier investor’s investment and/or payment of returns and have not notified the later investor of this material fact.
32. Defendants have, on one or more occasions, in connection with the offer or sale of a security, directly or indirectly, utilized offering documents, including a “Compass Academy Business Plan,” which contain one or more misstatements of material fact.
33. Defendants have, on one or more occasions, in connection with the offer or sale of a security, directly or indirectly, engaged in an act, practice or course of business that operates or would operate as a fraud or deceit upon another person.

² As is more fully explained in the Notice of Intent attached as Exhibit A, Defendant Brooks was, until early December, 2012, registered as a broker-dealer agent of a registered broker-dealer firm. However, such firm had not approved Brooks selling of the BREH security. Pursuant to S.C. Code Ann. Sections 35-1-402 (c) and (e), an agent may be registered with only one firm at a time unless multiple firms are under common control, which BREH and Brooks’ broker-dealer were not, and an agent registration is only valid when acting for the firm with which the agent is registered, which Brooks was not doing when he sold the BREH securities.

34. During the period in or around November 1, 2012, to present, Defendant Brooks, on behalf of himself and Defendants JBF, BREH, and Compass, was asked about information the State Securities Division had received indicating that distributions from Individual Retirement Accounts (“IRAs”) belonging to one or more of Brooks’ clients had been invested in Defendant Compass.
35. In responding to the State Securities Division’s inquiry, Brooks both made and filed several statements in the record of the case that, at the time and in the light of the circumstances under which they were made, were false or misleading in a material respect, or, omitted material facts necessary to make the statements made, in the light of the circumstances under which they were made, not misleading.
36. Specifically, Defendant Brooks lied, among other things, about the number of his and Defendant JBF’s clients invested in BREH and Compass; the circumstances of one or more of the investments; representations made in connection with one or more of the investments; and the security underlying one or more of the investors’ investment.
37. Finally, Defendant Brooks was asked, on behalf of himself and all other Defendants, about the use of one or more investor’s funds and was unable to provide an accurate accounting of the use of one or more investor’s funds.

CAUSES OF ACTION

A. VIOLATION OF S.C. CODE § 35-1-301

(Registration Requirements in Connection with the Offer or Sale of Securities)

38. Defendants offered for sale and sold securities in and from the State of South Carolina which were not federal covered securities and were not registered under the State Securities Act, and for which no claim of exemption was made.
39. This conduct violated Section 35-1-301 of the State Securities Act.

B. VIOLATION OF S.C. CODE §§ 35-1-401 AND 35-1-402

(Broker-Dealer and Agent Registration in Connection with the Offer or Sale of Securities)

40. Defendants transacted securities business in and from the State of South Carolina, when Defendants were not registered as broker-dealers and/or as agents under the State Securities Act and when no claim of exemption from registration as a broker-dealer or as an agent was made.
41. This conduct violated Sections 35-1-401 and 35-1-402 of the State Securities Act.

C. VIOLATION OF S.C. CODE § 35-1-402(d)

(Use of an Unregistered Agent in Connection with the Offer or Sale of Securities)

42. Defendants BREH and Brooks associated and paid commissions to one or more persons who acted as agents for Defendants but who were not registered under the State Securities Act and who have made no claim of exemption from registration as an agent.
43. This conduct violated Section 35-1-402(d) of the State Securities Act.

D. VIOLATION OF S.C. CODE § 35-1-501

(Fraud in Connection with the Offer or Sale of Securities)

44. In connection with the offer or sale of securities in or from the State of South Carolina, Defendants directly or indirectly (i) employed a device, scheme, or artifice to defraud; (ii) made untrue statements of material facts or omitted to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and (iii) engaged in acts, practices, or a course of business which operated as a fraud or deceit upon investors.
45. This conduct violated Section 35-1-501 of the State Securities Act.

E. VIOLATION OF S.C. CODE § 35-1-505

(Making of False or Misleading Statements in Proceedings under the Act)

46. In connection with a record that was created as part of an investigation pursuant to Section 35-1-602 of the Act, Defendant Brooks, on behalf of himself and the other Defendants, made one or more statements that, at the time and in light of the circumstances under which they were made, were false or misleading in a material respect, or, in connection with the statements, omitted to state one or more material facts necessary to make the statements made, in the light of the circumstances under which they were made, not false or misleading.
47. This conduct violated Section 35-1-505 of the State Securities Act.

PRAYER FOR RELIEF

WHEREFORE, the Securities Commissioner for the State of South Carolina prays that the Court issue an Order granting the following relief:

- A. Ordering Defendants Brooks, JBF, BREH, Compass, and all related parties, entities and persons under their direction or control to permanently cease and desist from violating the State Securities Act;
 - B. Appointing a receiver or conservator for the assets of Brooks, JBF, BREH, and Compass;
 - C. Ordering an accounting of the assets and liabilities of Brooks, JBF, BREH, and Compass;
 - D. Ordering disgorgement by Defendants of ill-gotten gains obtained in connection with the offers and sales to investors of the securities detailed in this Complaint and the incorporated Notice of Intent;
 - E. Imposing civil penalties on each Defendant in the amount of ten thousand (\$10,000.00) dollars per violation for each violation of the State Securities Act;
- and

- F. Providing for such other and further relief as may be just and proper, including but not limited to enjoining Defendants from liquidating, moving or otherwise disposing of any and all assets of the affected investors, wherever such assets may be situate, and/or permanent injunctive relief as may be directed by the court.

Respectfully submitted,

ALAN WILSON
Securities Commissioner

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March 5, 2013