

**IN THE UNITED STATES DISTRICT COURT
FOR THE MIDDLE DISTRICT OF TENNESSEE**

SECURITIES AND EXCHANGE COMMISSION,	:	
	:	
Plaintiff,	:	Civil Action No.
v.	:	
	:	
J.C. REED & COMPANY, INC., J.C. REED ADVISORY GROUP, LLC, BARRON A. MATHIS, and ESTATE OF JOHN C. REED, LANA L. REED, Executor,	:	
	:	
Defendants.	:	

COMPLAINT FOR INJUNCTIVE AND OTHER RELIEF

The Plaintiff, Securities and Exchange Commission (“Commission” or “Plaintiff”), files this complaint (the “Complaint”) and alleges the following:

SUMMARY

1. This matter involves an unregistered offering of securities and fraudulent conduct by J.C. Reed & Company, Inc. (“JC Parent” or the “Company”); its wholly-owned subsidiary, J.C. Reed Advisory Group, LLC (“JC Advisory”); John C. Reed (“Reed”), founder of JC Parent and JC Advisory; and Barron A. Mathis (“Mathis”), a director of JC Parent and an officer of JC

Advisory. JC Advisory, a wholly-owned subsidiary of JC Parent, is an investment adviser registered with the Commission.

2. At various times from no later than 2005 through at least September 2008, as more particularly alleged herein, JC Parent, JC Advisory, Reed, and Mathis facilitated the offer and sale of more than \$11 million of Company stock in unregistered transactions to over 100 investors in several states. Many of the investors were advisory clients of JC Advisory, an investment adviser. In connection with such offer and sale, JC Parent, JC Advisory, and Reed made and/or disseminated false and misleading statements and omissions of material fact which misled the shareholders about the Company's financial results. JC Parent has raised and spent more than \$11 million in investor funds, but has generated only about \$386,000 in gross revenues. The Company's steady losses have led to recent bankruptcy filings by JC Parent and JC Advisory.

3. JC Parent, JC Advisory, and Reed misled the investors by indicating on investors' account statements that the purported valuation of the Company's shares was increasing despite the lack of any reasonable basis for such increases. The Company was suffering losses each time that it increased its share valuation, and it has consistently suffered losses since its inception. JC Parent, JC Advisory,

and Reed further misled the investors by causing account statements based on the bogus revaluations to be sent to JC Advisory's clients and by disseminating inaccurate statements about the basis for the share revaluations.

4. JC Parent, JC Advisory, and Reed further misled the investors by disseminating unreasonable projections of the Company's revenues and profits, then failing to inform the investors when the Company's actual results did not match its projections. The Company suffered significant losses during the periods for which it had projected large profits. Instead of so informing the investors, however, JC Parent, JC Advisory, and Reed continued to disseminate inflated projections and fraudulently increased the purported value of the Company's shares.

5. From no later than January 2007 through at least September 2008, JC Parent, JC Advisory, and Mathis, and from no later than January 2007 through May 2008, Reed, provided offering materials to investors falsely stating that no sales commissions would be paid in connection with the offering of JC Parent stock. In fact, as JC Parent, JC Advisory, Reed, and Mathis knew or were reckless in not knowing, such sales commissions were paid to employees of JC Parent, JC Advisory, and other individuals starting no later than January 2007.

6. Offering materials delivered to investors from and after October 2006 represented that JC Parent had a key man life insurance policy for Reed, but JC Parent, JC Advisory, and Reed failed to disclose to the investors the Company's entry into a shareholder agreement obligating the Company to use up to \$1 million of the proceeds of the Company's \$1.5 million key man life insurance policy to redeem Reed's shares in the event of his death or disability. Nor did JC Parent, JC Advisory or Reed disclose that Reed had an incentive for increasing the valuation of the Company's shares above and beyond his ownership of shares, or that Reed had a means of redeeming shares that was not available to the other shareholders.

VIOLATIONS

7. JC Parent, JC Advisory, Reed, and Mathis, by virtue of their conduct, directly or indirectly, have engaged and, unless enjoined, JC Parent, JC Advisory, and Mathis will engage, in violations of Sections 5(a), 5(c), and 17(a) of the Securities Act of 1933 ("Securities Act") [15 U.S.C. §§ 77e(a), 77e(c) and 77q(a)], Section 10(b) of the Securities Exchange Act of 1934 ("Exchange Act") [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5].

8. JC Advisory, Mathis, and Reed, by virtue of their conduct, directly or indirectly, have engaged and, unless enjoined, JC Advisory and Mathis will

engage, in violations of Sections 206(1) and 206(2) of the Investment Advisers Act of 1940 ("Advisers Act") [15 U.S.C. §§ 80b-6(1), 80b-6(2)].

9. JC Advisory, by virtue of its conduct, directly or indirectly, has engaged and, unless enjoined, will engage, in violations of Sections 203A and 207 of the Advisers Act [15 U.S.C. §§ 80b-3a, 80b-7].

JURISDICTION AND VENUE

10. The Commission brings this action pursuant to Sections 20(b), (c) and (d) of the Securities Act [15 U.S.C. §§ 77t(b)-(d)], Sections 21(d) and 21(e) of the Exchange Act [15 U.S.C. §§ 78u(d)-(e)], and, as to JC Advisory, Reed, and Mathis, Sections 209(d) and 209(e) of the Advisers Act [15 U.S.C. §§ 80b-9(d)-(e)], to enjoin JC Parent, JC Advisory, and Mathis from engaging in the transactions, acts, practices and courses of business alleged in this Complaint, and transactions, acts, practices and courses of business of similar purport and object; for disgorgement of illegally obtained funds and other equitable relief; and, in the case of JC Parent, JC Advisory, and Mathis, for civil money penalties.

11. This Court has jurisdiction over this action pursuant to Sections 20(b), 20(d), and 22(a) of the Securities Act [15 U.S.C. §§ 77t(b), 77t(d), and 77v(a)], Sections 21(d), 21(e) and 27 of the Exchange Act [15 U.S.C. §§ 78u(d), 78u(e) and

78aa], and Section 214 of the Advisers Act [15 U.S.C. § 80b-14].

12. JC Parent, JC Advisory, Reed, and Mathis, directly and indirectly, have made use of the mails, the means and instruments of transportation and communication in interstate commerce, and the means and instruments of interstate commerce, in connection with the transactions, acts, practices, and courses of business alleged in this Complaint.

13. Venue lies in this Court pursuant to Section 22(a) of the Securities Act [15 U.S.C. § 77v(a)], Section 27 of the Exchange Act [15 U.S.C. § 78aa], and Section 214 of the Advisers Act [15 U.S.C. § 80b-14], because certain of the transactions, acts, practices and courses of business constituting violations of the Securities Act, Exchange Act, and Advisers Act occurred in the Middle District of Tennessee; JC Parent and JC Advisory have maintained and currently maintain their principal places of business in the Middle District of Tennessee; and investors in the Middle District of Tennessee have been solicited to purchase, and have purchased, investments in securities issued by JC Parent.

THE DEFENDANTS

14. **J.C. Reed & Company, Inc.** was incorporated in Tennessee in July 2005 and is located in Franklin, Tennessee. JC Parent was formed by Reed, who

served as its President, CEO, and Chairman prior to his death. In August 2005, JC Parent merged with its predecessor company, J.C. Reed & Company, LLC ("JC LLC"),¹ also a Tennessee corporation. JC Parent claims to operate several businesses through various subsidiaries, including a mortgage banking company. JC Parent registered as an investment adviser in Tennessee effective January 2006. JC Advisory became the registered adviser in Tennessee following its formation in September 2006. Neither JC Parent nor any of its subsidiaries has ever registered an offering of securities under the Securities Act or a class of securities under the Exchange Act. On October 22, 2008, JC Parent filed for bankruptcy pursuant to Chapter 11 of the Bankruptcy Code.

15. **J.C. Reed Advisory Group, LLC** was incorporated in Tennessee in September 2006 and is located in Franklin, Tennessee. JC Advisory is a wholly-owned subsidiary of JC Parent. JC Advisory acted as an investment adviser by engaging in the business of advising other persons about investing in securities and receiving compensation for such advice. JC Advisory registered with the Commission as an investment adviser effective September 2007. JC Advisory falsely reported on its Form ADV Uniform Application for Investment Adviser

¹ References to "JC Parent" herein include its predecessor in interest, JC LLC.

Registration (“Form ADV”) filed with the Commission, as the sole basis for JC Advisory’s registration with the Commission, that JC Advisory had at least \$25 million in assets under management. Most but not all of the assets that JC Advisory claims to manage consist of fraudulently overvalued JC Parent stock. On November 7, 2008, JC Advisory filed for bankruptcy pursuant to Chapter 7 of the Bankruptcy Code.

16. **Barron A. Mathis** joined JC Parent in January 2005 as its Investment Director. According to an electronic filing system for investment advisers sponsored in part by the Commission and known as the Investment Adviser Registration Depository (“IARD”), Mathis is currently the President of JC Advisory. From approximately September 2006 until at least the time of Reed’s death, Mathis served as Vice President of JC Advisory. Until recently, Mathis served as the portfolio manager for the investment advisory business. Mathis became a director of the Company in October 2007. Before joining the Company, Mathis held several securities licenses and worked for two registered broker-dealers.

17. **Estate of John C. Reed**. Reed died on June 7, 2008. His wife, Lana L. Reed, is the executor of the Estate of John C. Reed (“Reed’s Estate”). Reed’s

Estate remains liable for the disgorgement of ill-gotten proceeds that Reed and/or Reed's Estate received as a result of Reed's fraudulent conduct. In addition, Reed's Estate is liable for disgorgement of any unjust enrichment. Reed founded JC Parent and JC Advisory. Reed was JC Parent's CEO, President, Chairman, and initial principal shareholder. Reed also functioned as JC Advisory's President and Chief Compliance Officer.

FACTS

False and Misleading Offering Materials

18. From approximately 2005 through at least September 2008, the Company offered and sold more than \$11 million of its equity securities, primarily common stock, in unregistered transactions to over 100 investors in several states.

19. JC Parent's website openly solicited investors in 2005, stating: "We are pleased to offer shares of common stock . . . [t]his particular investment is a great fit in the growth section of an investor's portfolio." In addition, Reed stated in a 2005 letter to all shareholders of JC Parent stock: "[W]e ask that you do not keep us a secret from your friends, family, and acquaintances that may wish to own common stock."

20. JC Parent, JC Advisory, Mathis, Reed, and others distributed offering materials to investors and prospective investors. These offering materials contained numerous materially false and misleading statements. The offering materials included versions of a business and marketing plan (“Business Plan”) and versions of a private placement memorandum dated October 1, 2006 and January 1, 2007, respectively (collectively, the “PPM”). Reed drafted the initial Business Plan. Reed and Mathis drafted the PPM, which included a revised Business Plan. Before October 2006, investors received a Business Plan. From in or around October 2006 through at least May 2008, they received a PPM with a Business Plan appended. Neither the Business Plan nor the PPM included financial statements for the Company.

21. All or substantially all of the investors in JC Parent stock are advisory clients of JC Advisory. On information and belief, many of the advisory clients of JC Advisory who purchased JC Parent stock are unsophisticated, non-accredited, and/or elderly investors. Reed and Mathis personally advised investors and prospective investors to purchase JC Parent stock.

Fraudulent Share Revaluations

22. JC Advisory retained Fidelity Investments or its affiliates (collectively "Fidelity") to prepare and send out client account statements. Fidelity in turn retained Robert A. Stanger & Co., Inc. ("R.A. Stanger") to collect and report valuation information from various companies, including J.C. Advisory. R.A. Stanger functioned as a conduit for share price information transmitted to it by JC Parent and/or JC Advisory. Fidelity used the share valuation information supplied by JC Parent and JC Advisory to R.A. Stanger for the purpose of calculating the account balances reflected on the account statements of JC Advisory clients who owned JC Parent stock.

23. From approximately 2005 through September 2006, JC Parent offered its common stock at \$10 per share. As of the end of September 2006, the Company, JC Advisory, and Reed increased the purported value of the Company's stock to \$15 per share. As of the end of April 2007, the Company, JC Advisory, and Reed increased the purported value of the Company's stock to \$20 per share. Client account statements prepared for JC Advisory clients in November 2007 reflect that the Company effected a 2-for-1 stock split, so that each share that the Company had valued at \$20 became two shares valued at \$10 each. As of the end

of April 2008, the Company increased the purported valuation of the split shares to \$15. On information and belief, Reed directed each of the upward share revaluations arbitrarily and without any reasonable basis. Each revaluation resulted in an increased estimated value for the JC Parent stock shown on the account statements that were sent to JC Advisory's clients.

24. JC Parent, JC Advisory, and Reed knew or were reckless in not knowing that the increased share revaluations were arbitrary and lacked any reasonable basis, but misleadingly told the investors that the revaluations were the result of the Company's increased value. In fact, the Company had not increased in value. JC Parent, JC Advisory, and Reed further misled the investors by disseminating the PPM and other documents which stated that the revaluations had been approved or accepted by a third party valuation firm, namely R.A. Stanger. In fact, JC Parent, JC Advisory, and Reed merely provided information regarding the purported value of JC Parent shares to R.A. Stanger, which functioned as a conduit in reporting the information to Fidelity. In addition, JC Parent, JC Advisory, and Reed falsely represented to investors on their account statements that the share revaluations were estimates based upon the price of shares trading in supposed secondary markets for the shares. In fact, there were no meaningful

secondary markets for the shares.

25. In connection with the fraudulent revaluation of the Company's shares, JC Parent, JC Advisory, and Reed made false and misleading statements to investors, including the following:

- a. JC Parent, JC Advisory, and Reed misled the investors by stating in both the PPM and in a brochure to investors entitled "Stock Valuation" that the assumptions and calculations that went into evaluating the stock price had been "submitted and accepted by RA Stanger, third party pricing vendor [sic] of Fidelity alternative investments."
- b. In March 2007, Reed sent a letter to an investor which misleadingly stated, "Our third party valuation company is RA Stanger (valuation included in this packet), and our stock trades on the secondary market at Fidelity (cusip # included in this packet). As you already know, last year our stock gained 50% in value, and in 07 we anticipate a 100% return."
- c. The April 2008 edition of the Company's newsletter, The Trusted Advisor, misleadingly stated: "Research and third-party analysis

shows that the significant assets and growth potential of . . . [three subsidiary companies] adds enough value to warrant a revaluation of the current value of JC Reed stock."

- d. The May 2008 edition of the Company's newsletter, the Trusted Advisor, misleadingly stated: "Based on a rolling three-year average of projected earnings for the wholly owned subsidiaries of JC Reed & Company, Inc., JC Reed private equity experienced a price move from \$10 per share to \$15 per share as expected. This move has been acknowledged by our custodian, National Financial Services, and should be reflected on your statement from Fidelity."
- e. Reed participated in a visual presentation to shareholders at the Company's February 2008 shareholders' meeting which highlighted the "multiple price movements" of the stock as evidence of the Company's supposed positive performance.
- f. During the offering, JC Parent, JC Advisory, and Reed caused account statements to be sent to clients of JC Advisory with a notation falsely stating that the share value reflected on the statements was an "est[imated] value based on sales prices in informal secondary

markets." JC Parent, JC Advisory, and Reed knew or were reckless in not knowing that this notation was false when they caused the account statements to be sent. The share value was not based on an estimated value in any informal secondary markets.

g. In February and March 2008, JC Parent, JC Advisory, and Reed caused account statements to be sent to clients of JC Advisory with a notation misleadingly stating that the share value was "based on mgmt's est[imate] of net assets confirmed by 3rd party." JC Parent, JC Advisory, and Reed knew or were reckless in not knowing that this statement was misleading when they caused it to be sent to JC Advisory's clients.

26. The statements distributed by JC Parent, JC Advisory, and Reed set forth in subsections (a)-(d) and (g) of Paragraph 25 above regarding R.A. Stanger, National Financial Services (a Fidelity affiliate), and "third parties" in connection with the valuation of shares of JC Parent were misleading. Neither JC Parent nor JC Advisory ever retained R.A. Stanger, Fidelity, or any other third party to perform a valuation of JC Parent stock, and no third party ever performed such a valuation in connection with the share revaluations.

27. The statements distributed by JC Parent, JC Advisory, and Reed set forth in subsections (b) and (f) of Paragraph 25 above regarding Company shares trading on secondary markets and the Company's supposed basing the revaluations of its shares on share prices in "informal secondary markets" were false. JC Parent, JC Advisory, and Reed knew or were reckless in not knowing that the statements were false at the time they disseminated the statements to investors. The Company's shares were not traded on any secondary markets and the revaluations were not related to share prices on any such markets.

Misleading Revenue and Profitability Projections

28. JC Parent, JC Advisory, and Reed made and/or disseminated unreasonable projections of the Company's revenues and profitability. After the Company failed to meet these projections, JC Parent, JC Advisory, and Reed did not inform the investors of such failure and instead misled the investors by continuing to distribute inflated projections of revenues and profitability and by increasing the valuation of the Company's shares without any reasonable basis for doing so.

29. The initial Business Plan drafted by Reed and disseminated to investors by 2005 projected that JC Parent's mortgage business would have

monthly pre-tax net profits from \$11,850 to \$108,000 shortly after its inception. The Business Plan stated that the net profit figures were based on closing between 15 and 60 mortgage loans per month. The Business Plan stated, "we begin day one with new business flowing into the company sufficient enough [sic] to cover most all of the operating expenses," and "we can count on ten to fifteen loans closing per month after the first two months of operation." In fact, JC Parent and its subsidiaries had little or no revenues and few or no loan closings until in or around early 2007.

30. The Company never came close to achieving the projections it made in its initial Business Plan. In addition, the Company did not have sufficient revenues to cover most of its operating expenses on "day one," nor did it ever achieve such revenues. In fact, the Company had virtually no revenues of any kind until the first quarter of 2007. JC Parent, JC Advisory, and Reed, however, did not disclose the Company's lack of revenues when they began to distribute the Company's PPM and revised Business Plan in or around October 2006. In fact, the PPM and revised Business Plan substantially increased the Company's projections of revenues and profits.

31. The revised Business Plan attached to the PPM projected monthly

pre-tax net profits for the Company's mortgage business between \$72,875 and \$694,760, based on "conservative" projections of 45 to 250 loan closings per month. In addition, the Company "conservatively" projected in the PPM that the Company's mortgage business would close 125 loans per month in 2007 for a total of 1,500 loans, and the Company further projected that this would yield \$265,690 in monthly net profits and total net profits of \$3,188,280 for 2007. The PPM projected additional net profits of \$1,462,500 for the Company's advisory business for 2007. Thus, the PPM projected \$4,650,780 in combined net profits for the mortgage and advisory businesses in 2007. The PPM stated that becoming "profitable in the first year is not only a goal of JC Reed & Co, but a very real expectation that will be reached immediately."

32. By continuing to distribute the PPM and revised Business Plan through at least May 2008, JC Parent, JC Advisory, and Reed fraudulently misled the investors. In view of the Company's dramatic underperformance in each successive month of 2007, JC Parent, JC Advisory, and Reed knew or were reckless in not knowing that the projections in the PPM and revised Business Plan could not be attained and that the Company had mounting losses instead of profits.

33. In all of 2007, the Company's mortgage business closed

approximately 22 loans, not 1,500 as “conservatively” projected. In all of 2007, the Company’s advisory business had net losses and generated approximately \$54,000 in gross revenues, as compared to the Company’s “conservative” projection of \$1,462,500. In all of 2007, the Company’s mortgage business had net losses and generated approximately \$93,000 in gross revenues, as compared to the Company’s “conservative” projection of \$3,188,280 in net profits.

34. Neither the Business Plan nor the PPM included financial statements for the Company, which would have alerted investors that the Company’s actual performance in 2007 did not remotely resemble its projections for the year. JC Parent, JC Advisory, and Reed generally did not otherwise deliver to investors financial statements of the Company or other meaningful indicators of actual performance.

35. The PPM falsely implied that the Company had no losses from operations. In response to a question in the PPM asking the Company to identify its net after-tax earnings for its last fiscal year and noting, "If losses, show in parenthesis," the PPM reported \$0 total net after-tax earnings but did not disclose any losses.

36. The PPM further stated there was "no assurance that we will continue

to produce a profit." This statement was misleading because it implied that the Company had made a profit at one time, when, in fact, it has never done so.

Key Man Life Insurance

37. The PPM depicted Reed as a key factor in the Company's purported success. In addition, the PPM disclosed that the Company had purchased a key man insurance policy on Reed's life. In October 2006, several months after Reed was diagnosed with cancer, Reed and the Company entered into a written shareholders agreement that obligated the Company to repurchase up to \$1 million worth of Reed's JC Parent stock upon his death or disability at its "current value" and to use the proceeds from the key man life insurance, if any, for the repurchase.

38. Upon Reed's death, the Company received \$1.5 million in proceeds from the key man life insurance policy. Reed's Estate sought \$1 million pursuant to the shareholders agreement. The Company ultimately paid Reed's Estate \$500,000. JC Parent, JC Advisory, and Reed misled the investors by describing the key man policy but failing to disclose to all investors in the PPM or otherwise the existence of the shareholders agreement or the payment of funds pursuant to it.

Undisclosed Sales Commissions

39. From no later than January 2007 through at least May 2008, Reed and Mathis, on behalf of JC Parent and/or JC Advisory, recommended the purchase of shares of JC Parent stock to advisory clients and prospective advisory clients of JC Advisory.

40. The PPM stated that no sales commissions would be paid in the offering of JC Parent stock. In or around January 2007, Reed advised certain corporate employees that the Company would pay a five percent referral fee for sales of JC Parent stock. JC Parent subsequently used at least \$350,000 of investor funds to pay five-percent commissions based on the referrals. Among those receiving the commissions were Reed and Mathis. After Reed announced the Company's intention to pay the referral fees, JC Parent, JC Advisory, Reed, and Mathis continued to provide investors with the PPM containing the false representation regarding sales commissions. On information and belief, Mathis received approximately \$90,000 in sales commissions. Mathis recommended the purchase of Company stock to advisory clients but failed to disclose his and/or others' receipt of sales commissions.

False Statements By JC Advisory Regarding Assets Under Management

41. On or about August 27, 2006, JC Advisory applied for Commission registration as an investment adviser by filing a Form ADV or amendment thereto electronically with the IARD. In its application, JC Advisory represented that it had not less than \$25 million in assets under management. JC Advisory's registration with the Commission became effective on or about September 21, 2006. Since initially applying for registration with the Commission, JC Advisory has represented in its Forms ADV (as amended) that it has not less than \$25 million in assets under management. In its most recent Form ADV filed with IARD on or about October 1, 2008, JC Advisory represented that it had \$64 million in assets under management.

COUNT I - UNREGISTERED SECURITIES OFFERINGS

Violations of Sections 5(a) and 5(c) of the Securities Act **[15 U.S.C. §§ 77e(a) and 77e(c)]**

42. Paragraphs 1 through 41 are hereby realleged and are incorporated herein by reference.

43. No registration statement has been filed or is in effect with the Commission pursuant to the Securities Act and no exemption from registration exists with respect to the transactions described herein.

44. From approximately 2005 through at least September 2008, JC Parent; from no later than September 2006 through at least September 2008, JC Advisory; from approximately 2005 through May 2008, Reed; and from no later than January 2007 through at least September 2008, Mathis:

a. made use of the means or instruments of transportation or communication in interstate commerce or of the mails to sell the securities described herein, through the use or medium of any prospectus or otherwise, when a registration statement was not in effect as to such securities;

b. carried securities or caused such securities, as described herein, to be carried through the mails or in interstate commerce, by means or instruments of transportation, for the purpose of sale or for delivery after sale, when a registration statement was not in effect as to such securities; and

c. made use of the means or instruments of transportation or communication in interstate commerce or of the mails to offer to sell or offer to buy, through the use or medium of any prospectus or otherwise, the securities described herein, without a registration statement having been filed as to such securities.

By reason of the foregoing, JC Parent, JC Advisory, Reed, and Mathis, directly and indirectly, have violated and, unless enjoined, JC Parent, JC Advisory, and Mathis will continue to violate, Sections 5(a) and 5(c) of the Securities Act [15 U.S.C. §§ 77e(a) and 77e(c)].

COUNT II - FRAUD

Violations of Section 17(a)(1) of the Securities Act
[15 U.S.C. § 77q(a)(1)]

45. Paragraphs 1 through 41 are hereby realleged and are incorporated herein by reference.

46. From no later than September 2006 through at least September 2008, JC Parent and JC Advisory; from no later than September 2006 through May 2008, Reed; and from no later than January 2007 through at least September 2008, Mathis; in the offer and sale of the securities described herein, by the use of means and instruments of transportation and communication in interstate commerce and by use of the mails, directly and indirectly, employed devices, schemes and artifices to defraud purchasers of such securities, all as more particularly described above.

47. JC Parent, JC Advisory, Reed, and Mathis knowingly, intentionally, and/or recklessly engaged in the aforementioned devices, schemes and artifices to defraud.

48. In engaging in such conduct, JC Parent, JC Advisory, Reed, and Mathis acted with scienter, that is, with an intent to deceive, manipulate or defraud or with a severe reckless disregard for the truth.

49. By reason of the foregoing, JC Parent, JC Advisory, Reed, and Mathis, directly and indirectly, have violated and, unless enjoined, JC Parent, JC Advisory, and Mathis will continue to violate, Section 17(a)(1) of the Securities Act [15 U.S.C. § 77q(a)(1)].

COUNT III - FRAUD

Violations of Sections 17(a)(2) and 17(a)(3) of the Securities Act **[15 U.S.C. §§ 77q(a)(2) and 77q(a)(3)]**

50. Paragraphs 1 through 41 are hereby realleged and are incorporated herein by reference.

51. From no later than September 2006 through at least September 2008, JC Parent and JC Advisory; from no later than September 2006 through May 2008, Reed; and from no later than January 2007 through at least September 2008, Mathis;

in the offer and sale of the securities described herein, by use of means and instruments of transportation and communication in interstate commerce and by use of the mails, directly and indirectly:

- a. obtained money and property by means of untrue statements of material fact and omissions to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and
- b. engaged in transactions, practices and courses of business which would and did operate as a fraud and deceit upon the purchasers of such securities,

all as more particularly described above.

52. By reason of the foregoing, JC Parent, JC Advisory, Reed, and Mathis, directly and indirectly, have violated and, unless enjoined, JC Parent, JC Advisory, and Mathis will continue to violate, Sections 17(a)(2) and 17(a)(3) of the Securities Act [15 U.S.C. §§ 77q(a)(2) and 77q(a)(3)].

COUNT IV - FRAUD

**Violations of Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)]
and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5]**

53. Paragraphs 1 through 41 are hereby realleged and are incorporated herein by reference.

54. From no later than September 2006 through at least September 2008, JC Parent and JC Advisory; from no later than September 2006 through May 2008, Reed; and from no later than January 2007 through at least September 2008, Mathis; in connection with the purchase and sale of securities described herein, by the use of the means and instruments of interstate commerce and by use of the mails, directly and indirectly:

- a. employed devices, schemes, and artifices to defraud;
- b. made untrue statements of material facts and omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and
- c. engaged in acts, practices, and courses of business which would and did operate as a fraud and deceit upon the purchasers of such securities,

all as more particularly described above.

55. JC Parent, JC Advisory, Reed, and Mathis knowingly, intentionally, and/or recklessly engaged in the aforementioned devices, schemes and artifices to defraud, made untrue statements of material facts and omitted to state material facts, and engaged in fraudulent acts, practices and courses of business. In engaging in such conduct, JC Parent, JC Advisory, Reed, and Mathis acted with scienter, that is, with an intent to deceive, manipulate or defraud or with a severe reckless disregard for the truth.

56. By reason of the foregoing, JC Parent, JC Advisory, Reed, and Mathis, directly and indirectly, have violated and, unless enjoined, JC Parent, JC Advisory, and Mathis will continue to violate, Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5].

COUNT V - FRAUD

Violations of Section 206(1) of the Advisers Act **[15 U.S.C. § 80b-6(1)]**

57. Paragraphs 1 through 41 are hereby realleged and are incorporated herein by reference.

58. From no later than September 2006 through at least September 2008,

JC Advisory; from no later than January 2007 through at least September 2008, Mathis; and from no later than September 2006 through May 2008, Reed; acting as investment advisers, by the use of the mails and the means and instruments of interstate commerce, directly and indirectly, employed devices, schemes and artifices to defraud one or more advisory clients and/or prospective clients.

59. JC Advisory, Mathis, and Reed knowingly, intentionally, and/or recklessly engaged in the aforementioned devices, schemes and artifices to defraud. In engaging in such conduct, JC Advisory, Mathis and Reed acted with scienter, that is, with an intent to deceive, manipulate or defraud or with a severe reckless disregard for the truth.

60. By reason of the foregoing, JC Advisory, Mathis, and Reed, directly and indirectly, have violated and, unless enjoined, JC Advisory and Mathis will continue to violate, Section 206(1) of the Advisers Act [15 U.S.C. § 80b-6(1)].

COUNT VI - FRAUD

Violations of Section 206(2) of the Advisers Act **[15 U.S.C. § 80b-6(2)]**

61. Paragraphs 1 through 41 are hereby realleged and are incorporated herein by reference.

62. From no later than September 2006 through at least September 2008, JC Advisory; from no later than January 2007 through at least September 2008, Mathis; and from no later than September 2006 through May 2008, Reed; acting as investment advisers, by the use of the mails and the means and instruments of interstate commerce, directly and indirectly, engaged in transactions, practices, and courses of business which would and did operate as a fraud and deceit on one or more advisory clients and/or prospective clients.

63. By reason of the foregoing, JC Advisory, Mathis, and Reed, directly and indirectly, have violated and, unless enjoined, JC Advisory and Mathis will continue to violate, Section 206(2) of the Advisers Act [15 U.S.C. § 80b-6(2)].

COUNT VII- IMPROPER REGISTRATION
AS AN INVESTMENT ADVISER

Violations of Section 203A of the Advisers Act
[15 U.S.C. § 80b-3a]

64. Paragraphs 1 through 41 are hereby realleged and are incorporated herein by reference.

65. Section 203A(a) of the Advisers Act [15 U.S.C. § 80b-3a] provides that no investment adviser that is regulated or required to be regulated as an investment adviser in the state in which it maintains its principal office and place of business

shall register under Section 203 of the Advisers Act, unless the adviser has not less than \$25 million in assets under management (or such higher amount as the Commission may deem appropriate by rule) or is an adviser to a registered investment company. Rule 203A-1 under the Advisers Act permits an investment adviser who maintains its principal office and place of business in a state which has enacted an investment adviser statute and has at least \$25 million but less than \$30 million in assets under management to register with the Commission.

66. In claiming that it has not less than \$25 million in assets under management in its Forms ADV filed with IARD since August 27, 2006, JC Advisory has employed inflated valuations of JC Parent stock. In truth, JC Advisory has never had \$25 million or more in assets under management and has never met any of the other criteria that would make it eligible to register with the Commission pursuant to Section 203A(a) of the Advisers Act.

67. By reason of the foregoing, JC Advisory violated and, unless enjoined, will continue to violate, Section 203A of the Investment Advisers Act [15 U.S.C. § 80b-3a].

**COUNT VIII- MATERIAL MISSTATEMENTS IN REGISTRATION
APPLICATION AND REPORTS FILED WITH THE COMMISSION
UNDER SECTION 203 OF THE ADVISERS ACT**

**Violations of Section 207 of the Advisers Act
[15 U.S.C. § 80b-7]**

68. Paragraphs 1 through 41 are hereby realleged and are incorporated herein by reference.

69. Section 207 of the Advisers Act makes it unlawful for any person willfully to make any untrue statement of material fact, or omit to state any material fact required to be stated, in any report filed with the Commission.

70. The Forms ADV filed by JC Advisory from on or about August 27, 2006 through the present falsely state that JC Advisory had at least \$25 million in assets under management.

71. As a result, JC Advisory violated Section 207 of the Advisers Act [15 U.S.C. § 80b-7].

PRAYER FOR RELIEF

WHEREFORE, Plaintiff Commission respectfully prays for:

I.

Findings of Fact and Conclusions of Law pursuant to Rule 52 of the Federal Rules of Civil Procedure, finding that JC Parent, JC Advisory, Reed, and Mathis committed the violations alleged herein.

II.

Preliminary and permanent injunctions enjoining JC Parent, JC Advisory, and Mathis, their officers, agents, servants, employees, and attorneys, and those persons in active concert or participation with them who receive actual notice of the order of injunction, by personal service or otherwise, and each of them, whether as principals or as aiders and abettors, from violating, directly or indirectly, Sections 5(a), 5(c) and 17(a) of the Securities Act [15 U.S.C. §§ 77e(a), 77e(c), and 77q(a)], and Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 [17 C.F.R. § 240.10b-5] promulgated thereunder.

III.

Preliminary and permanent injunctions enjoining JC Advisory and Mathis, their officers, agents, servants, employees, and attorneys, and those persons in active concert or participation with them who receive actual notice of the order of injunction, by personal service or otherwise, and each of them, whether as principals or as aiders and abettors, from violating, directly or indirectly, Sections 206(1) and 206(2) of the Advisers Act [15 U.S.C. §§ 80b-6(1) and 80b-6(2)].

IV.

Preliminary and permanent injunctions enjoining JC Advisory, its officers, agents, servants, employees, and attorneys, and those persons in active concert or participation with them who receive actual notice of the order of injunction, by personal service or otherwise, and each of them, whether as principals or as aiders and abettors, from violating, directly or indirectly, Sections 203A and 207 of the Advisers Act [15 U.S.C. §§ 80b-3(a) and 80b-7].

V.

A judgment setting an amount of disgorgement of all ill-gotten gains and unjust enrichment with prejudgment interest and civil penalties as to JC Parent and JC Advisory. Any collection of disgorgement and civil penalties as against JC

Parent and JC Advisory will be undertaken in compliance with the Bankruptcy Code and Rules as long as JC Parent is a Chapter 11 debtor and as long as JC Advisory is a Chapter 7 debtor.

VI.

An order: (a) requiring the disgorgement by Mathis and Reed's Estate of all ill-gotten gains and unjust enrichment with prejudgment interest to effect the remedial purposes of the federal securities laws; (b) expediting discovery as to each of the Defendants; and (c) preserving the documents of JC Parent, JC Advisory, Reed (via Reed's Estate), and Mathis to preserve the status quo.

VII.

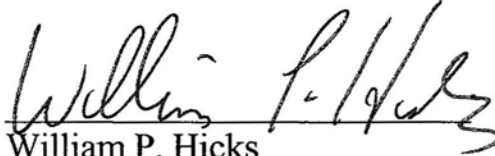
An order pursuant to Section 20(d) of the Securities Act [15 U.S.C. § 77t(d)], Section 21(d)(3) of the Exchange Act [15 U.S.C. § 78u(d)(3)], and Section 209(e) of the Advisers Act [15 U.S.C. § 80b-9(e)] imposing civil penalties against Mathis.

VIII.

Such other and further relief as this Court may deem just, equitable, and appropriate in connection with the enforcement of the federal securities laws and for the protection of investors.

Dated: November 18, 2008.

Respectfully submitted,



William P. Hicks

Regional Trial Counsel

Georgia Bar No. 351649

E-mail: hicksw@sec.gov

Telephone: (404) 842-7675



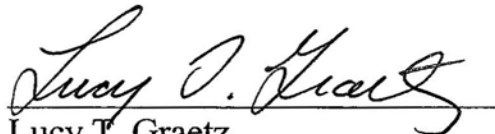
Robert K. Gordon

Senior Trial Counsel

Georgia Bar No. 302482

E-mail: gordonr@sec.gov

Telephone: (404) 842-7652



Lucy T. Graetz

Staff Attorney

Georgia Bar No. 304082

E-mail: graetzl@sec.gov

Telephone: (404) 842-7668

Counsel for Plaintiff:

Securities and Exchange Commission
Atlanta Regional Office
3475 Lenox Road, N.E., Suite 1000
Atlanta, Georgia 30326-1232
Facsimile: (404)842-7679