

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

Defendants.)

AMENDED COMPLAINT

13-CP-40-01316

JEANETTE W. McBRIDE
C.C. & C.S.

2013 APR 15 PM 2:34

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 (“Jay Brooks”); Tracy Brooks (“Tracy 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 Jay Brooks, at all times material herein, was a resident of South Carolina.
2. Defendant Tracy Brooks, at all times material herein, was a resident of South Carolina.
3. Defendant Jay Brooks, at all times material herein, was the registered agent and principal control person of Defendant JBF.
4. Defendant JBF is a South Carolina corporation.

5. Defendant JBF's filings with the Secretary of State's office indicate a registered address of 233 Barnwell Avenue NW, Aiken, South Carolina 29801.
6. Defendant JBF's website indicates an address of 124 Laurens Street, NW, Aiken, South Carolina 29801.
7. Defendant BREH is a South Carolina Limited Liability Company.
8. Defendant BREH, at all times material herein, was owned and controlled by Defendant Jay Brooks and Defendant Tracy Brooks.
9. Defendant BREH's filings with the Secretary of State's office indicate a registered address of 124 Laurens Street NW, Aiken, South Carolina 29801.
10. Defendant Compass claims to be 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.
12. At all times material herein, Defendant Tracy Brooks was the *de facto* head or administrator of and primary control person of Defendant Compass.
13. At all times material herein, Defendant Jay Brooks was the registered agent and along with Defendant Tracy Brooks a control person of Defendant Compass.

JURISDICTION

14. 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).
15. This Court has jurisdiction over the parties and the subject matter of this action.
16. This action is properly brought in the Richland County Court of Common Pleas.
17. 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

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

ALLEGATIONS

19. The Defendants have been and are offering persons (“investors”) opportunities to invest in various offerings and/or products from which the investors expect to earn a return with no active participation or decision making required by the investor.
20. In connection with the opportunities, investor money was pooled in one or more bank accounts.
21. In connection with the opportunities, investor fortunes are interwoven with and dependent upon the efforts and success of the Defendants.
22. The opportunities being offered constitute securities under South Carolina law.
23. 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.
24. Offers and sales have also been made in this State to investors in one or more other States.¹
25. The securities being offered are required to be registered prior to their offer and sale in this State.
26. The securities being offered were not registered with the State Securities Division before they were offered and sold in this State.
27. 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.

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).

28. The persons offering the securities were not registered with the State Securities Division as broker-dealers or agents prior to their offer and/or sale of the securities in this State,² and no claim of exemption has been made on behalf of any person or security in this matter.
29. 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 Jay Brooks and JBF.
30. The Notice of Intent, a copy of which is attached hereto as Exhibit A and incorporated herein by reference, alleges wrongdoing by Jay Brooks and JBF that, if proven at a hearing, would form the basis to revoke Jay Brooks' and JBF's securities registrations in South Carolina.
31. 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 32 on.
32. Defendants Jay and Tracy Brooks have, on one or more occasions, misappropriated investor funds for personal use.
33. Defendants Jay and Tracy Brooks 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.

² As is more fully explained in the Notice of Intent attached as Exhibit A, Defendant Jay Brooks was, until early December, 2012, registered as a broker-dealer agent of a registered broker-dealer firm. However, such firm had not approved any of the securities at issue in this complaint for sale by Jay Brooks or any other of their registered representatives. Pursuant to S.C. Code Ann. Sections 35-1-402 (c) and (e), an agent registration is only valid when acting for the firm with which the agent is registered, which Jay Brooks was not doing when he sold the securities and undertook the actions at issue in this Complaint.

34. 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 contains one or more misstatements of material fact.
35. 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.
36. During the period in or around November 1, 2012 to present, Defendant Jay Brooks was asked about information the State Securities Division had received indicating that distributions from Individual Retirement Accounts ("IRAs") belonging to one or more of Jay Brooks' clients had been invested in Defendant Compass.
37. In responding to the State Securities Division's inquiry, Jay 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.
38. Specifically, Defendant Jay Brooks lied, among other things, about the number of his and Defendant JBF's clients with funds 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.
39. Finally, Defendant Jay Brooks was asked about the use of one or more investor's funds and was unable or unwilling to provide an accurate accounting of the use of the investor funds.
40. During the period in or around February 28, 2013 to present, Defendant Tracy Brooks, on behalf of herself and Compass, was asked about information the State Securities Division

had concerning investments in Defendant Compass and the spending of those investor funds.

41. In responding to the State Securities Division's inquiry, Tracy 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.
42. Specifically, Defendant Tracy Brooks was untruthful, among other things, about her interactions with one or more investors, the extent of her control over the JBF and Compass bank accounts, and the existence of certain assets like a Tiffany & Co. ring, which she initially denied having.
43. Defendant Tracy Brooks had primary use and control of and reconciled the Compass account. However, when asked, she was unable or unwilling to provide an accurate accounting of the use of investor funds placed in the account.
44. Defendant Tracy Brooks further admitted she was aware that on multiple occasions money was transferred between accounts under her and Jay Brooks control, including between and from the Brooks Financial and Compass accounts and Jay and Tracy Brooks' personal account.
45. Additionally, Defendant Tracy Brooks stated to Division staff that she created the business plan for Compass. Tracy Brooks' business plan for Compass was distributed to one or more potential investors.
46. The Compass business plan contains one or more material misstatements and/or omissions, and makes statements geared towards investors.

47. Finally, Defendants Jay and Tracy Brooks provided to the Division annotated bank records. The handwritten annotations from Jay and Tracy Brooks describe one or more examples of misappropriation of investor funds. The annotations include, among other things, multiple admissions by Tracy Brooks of personal use of Compass funds.
48. Investor paperwork and statements to the State Securities Division documenting Defendants Jay and Tracy Brooks' sales pitches indicate that what investors were told about the form and function of the investments in which they were being solicited to invest varied.
49. As a result, Defendants wound up with funds from investors which were given for varied purposes. Thus far three categories of investment intent have been identified. Depending on the circumstances surrounding each investors' investment, an investor, for purposes of the specific transaction at issue, can be classified as a "Class I," "Class II," or "Class III" investor.

Three Classes of Investors

50. Class I investors willingly invested with the Defendants believing they were investing in a school ("Compass Academy") or that their money would be used to build a school.
51. Class II investors willingly invested with the Defendants in investments unrelated to Compass Academy. Some Class II investors were investors who had been approached with the opportunity to invest in Compass Academy and had refused the opportunity and specifically directed their money be placed in other investments.
52. Beyond Class I and Class II there exists a class of investors ("Class III investors") who were not consulted and/or who refused investment opportunities offered through the Defendants and then whose money was wrongfully misappropriated for the benefit of Defendants and at times, investors in Classes I and II.

53. The investments at issue in this complaint include, among others, promissory notes, certificates of deposit, bonds, investments in a trust, and one or more investment contracts.
54. In one or more instances opportunities presented to investors appear to be fictitious and, in one or more instances, investors in one class may also be classified as investors in another class based upon their differing intent as they engaged in different transactions (voluntarily or not) with Defendants.

Investor A

55. On or around November 26, 2012, Investor A invested approximately \$80,000.00 with Defendant JBF.
56. The memo line on Investor A's check reads "Investments." Investor A stated to the Division that Defendant Jay Brooks told him he was investing in Defendant Compass to fund the building and operation of the school.
57. Following the deposit of Investor A's check into the JBF account, for which the two signatories were Jay and Tracy Brooks, the total balance of the JBF account was approximately \$90,000.00.
58. During the following seven days, the JBF account received deposits totaling \$15,132.00.
59. During the same time period approximately \$11,840.00 was spent from the JBF account at the following establishments: Petsmart, Great Clips, The Homestead in Hot Springs, Virginia, DirecTV, Target, Hobby Lobby, Belk, RIA Register, Jay Brooks' and JBF's compliance consulting company, and for other non-investment purposes.
60. On or around December 3, 2012, the balance of the JBF account was \$93,919.00.

61. On or around December 3, 2012, approximately \$21,079.00 was wired from the JBF account to a "Tiffany & Co." account. The money was used to purchase an 18 kt. gold and platinum split-shank diamond ring for Defendant Tracy Brooks.
62. Investor A's investment funds were not used in the manner in which he was advised they would be. Further, Defendants omitted to state to Investor A their intended use of his funds. Finally, Defendants representations that Investor A's money would be used one way when they did not intend to use the money that way and/or knew prior investor money had been used wrongfully, operated as a fraud or deceit upon Investor A.

Investor B

63. On or around May 14, 2012, and June 5, 2012, Investor B invested approximately \$27,750.00 with Defendants.
64. On or around February 4, 2013, Investor B invested approximately \$27,500.00 with Defendants.
65. Investor B was told and believed that he was investing in a trust fund that had real estate as its largest investment.
66. Instead, Investor B's money was deposited into the JBF account for which Jay and Tracy Brooks were the two signatories.
67. Contrary to the Defendants' representations to Investor B, his money was not invested, but rather was spent at establishments such as Publix supermarket, various restaurants, PetSmart, Sallie Mae, Marriott, and American Airlines.

Investor C

68. On or around January 24, 2013, Investor C wrote a \$95,000.00 check to JBF for investment in a "trust."

69. In soliciting the funds, Defendant Jay Brooks, acting on behalf of himself and the other Defendants in the scheme, told Investor C that she was investing in a trust, that her principal would never be touched, that she could expect to earn a rate of return of 5% interest, and that she could withdraw her money at any time.
70. Instead of being invested in a trust, Investor C's money was placed into a bank account on which the two signatories were Jay and Tracy Brooks.
71. The addition of Investor C's funds to the account raised the account balance from approximately \$3,588.00 to \$98,588.00.
72. Over the next eleven days, Defendants Jay and/or Tracy Brooks spent approximately \$19,000.00 from the account, the bulk of which was Investor C's investment funds, on credit card payments totaling over \$5,000.00, payments to Security Federal Bank, payments to one or more other investors, groceries, The Internal Revenue Service, restaurants, gasoline, purchases at Target and The Aquarium, and on cash withdrawals.
73. Upon information and belief, no portion of Investor C's money ever went to the investment trust Investor C thought she was investing in.

Investor funds used to purchase personal residence

74. On or around July 31, 2012, Defendants Jay and Tracy Brooks completed a real estate closing on their home.
75. In order to complete the closing, Defendants Jay and Tracy Brooks gave a \$50,000 promissory note to the builder of the residence, Caldwell Design and Construction, Inc.
76. On or around December 10, 2012, Defendant Jay Brooks wrote a check for \$50,000.00 from the Compass bank account.
77. This \$50,000.00 check was used to purchase a cashier's check made payable to Mike Caldwell, a principal of Caldwell Design and Construction, Inc.

78. Caldwell Design and Construction, Inc. has indicated to the Division (i) it is not affiliated with Defendant Compass, (ii) it has not done any work for Defendant Compass, and (iii) the check was used to repay the promissory note associated with Jay and Tracy Brooks' residence.
79. Investor money was used to fund the \$50,000.00 payment to Caldwell Design and Construction, Inc.

Select transactions involving Class III Investors

80. During the period January 1, 2012 to present, on one or more occasions, Defendants took funds a client or clients had invested through JBF and, without the knowledge or consent of the investor or investors, executed paperwork and transferred part or all of the funds to the Compass account and/or to other bank accounts under the Defendants' control, without the permission or agreement of the affected investor(s).
81. On information and belief, some of the investors affected as described in the paragraph above ("Class III investors") are not currently aware that all or a portion of their funds are no longer deposited with the custodian to whom they gave custody.
82. Upon information and belief, one or more other persons dealing with the Defendants intended to open an account or accounts at a traditional brokerage firm and to have the underlying firm maintain custody of all or a portion of the person's resulting investments but, unbeknownst to the person or persons, all or a portion of the funds placed in their brokerage account(s) was transferred to one or more bank accounts under the Defendants' control and then used for expenses of one or more of the Defendants.

CAUSES OF ACTION

A. VIOLATIONS OF S.C. CODE § 35-1-301

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

83. Each consistent and relevant paragraph of this complaint is hereby incorporated and re-alleged as if repeated verbatim.
84. No registration, notice of a federal covered security, or exemption has been filed with the State Securities Division pursuant to the State Securities Act for any of the securities at issue in this Complaint.
85. Defendants offered for sale and sold securities in the State of South Carolina which were not registered under the State Securities Act, exempt from registration under the State Securities Act, or federal covered securities.
86. This conduct violated Section 35-1-301 of the State Securities Act.

B. VIOLATIONS 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)

87. Each consistent and relevant paragraph of this complaint is hereby incorporated and re-alleged as if repeated verbatim.
88. Defendants transacted securities business as broker-dealers and/or agents in the State of South Carolina, when Defendants were not registered or exempt from registration as broker-dealers and/or as agents under the State Securities Act.
89. This conduct violated Sections 35-1-401 and 35-1-402 of the State Securities Act.

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

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

90. Each consistent and relevant paragraph of this complaint is hereby incorporated and re-alleged as if repeated verbatim.

91. Defendants BREH and Jay 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 or exempt from registration under the State Securities Act.
92. This conduct violated Section 35-1-402(d) of the State Securities Act.

D. VIOLATIONS OF S.C. CODE § 35-1-501
(Fraud in Connection with the Offer or Sale of Securities)

93. Each consistent and relevant paragraph of this complaint is hereby incorporated and re-alleged as if repeated verbatim.
94. 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.
95. This conduct violated Section 35-1-501 of the State Securities Act.

E. VIOLATIONS OF S.C. CODE § 35-1-505
(Making of False or Misleading Statements in Proceedings under the Act)

96. Each consistent and relevant paragraph of this complaint is hereby incorporated and re-alleged as if repeated verbatim.
97. In connection with a record that was created as part of an investigation pursuant to Section 35-1-602 of the Act, Defendant Jay Brooks 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.

98. In connection with a record that was created as part of an investigation pursuant to Section 35-1-602 of the Act, Defendant Tracy Brooks 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.
99. 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 Jay Brooks, Tracy 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 Jay Brooks, Tracy Brooks, JBF, BREH, and Compass;
- C. Ordering an accounting of the assets and liabilities of Jay Brooks, Tracy 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

TRACY A. MEYERS
Assistant Deputy Attorney General

ANDREW J. MACLEOD
Assistant Attorney General

ADAM WHITSETT
Assistant Attorney General

Post Office Box 11549
Columbia, South Carolina 29211
(803) 734-4731

BY: 

ATTORNEYS FOR
THE STATE OF SOUTH CAROLINA

April 5, 2013

ADMINISTRATIVE PROCEEDING

BEFORE THE

SECURITIES COMMISSIONER OF SOUTH CAROLINA

IN THE MATTER OF:

Jonathan W. Brooks
and J. Brooks Financial, Inc.,

Respondents.

)
)
) NOTICE OF INTENT TO SEEK
) REVOCATION OF INVESTMENT
) ADVISER, INVESTMENT ADVISER
) REPRESENTATIVE AND
) BROKER-DEALER AGENT
) REGISTRATIONS
)
)

File Number 12017

The Securities Division of the Office of the Attorney General of the State of South Carolina (the "Division"), under the authority of the South Carolina Uniform Securities Act of 2005 (the "Act"), S.C. Code Ann. §§ 35-1-101 to 35-1-703 (Supp. 2012), upon due consideration of the subject matter herein and having reason to believe that Jonathan W. Brooks ("Brooks") and J. Brooks Financial, Inc. ("JBF") should not be permitted to (i) issue securities, (ii) represent a broker-dealer or issuer in effecting or attempting to effect purchases or sales of securities, (iii) engage in any type investment advisory business or activity, or (iv) otherwise engage in business in the securities industry in this State, through this Notice of Intent to Seek Revocation of Investment Adviser, Investment Adviser Representative and Broker-Dealer Agent Registrations ("Notice of Intent") hereby notifies Brooks and JBF (collectively, "the Respondents") of its intent to seek an order, pursuant to S.C. Code Ann. § 35-1-412, revoking JBF's registration as an investment adviser and Brook's registrations as an investment adviser representative and a broker-dealer agent.

OVERVIEW

1. As to Respondent JBF, this matter involves JBF's failures to keep records, obtain written agreements with clients, fully disclose material facts related to investments recommended to clients, and respond to requests for information as it conducted business in the State as an investment adviser by and through its agent Brooks.
2. As to Respondent Brooks, this matter involves (1) Brooks' failure to keep required records, obtain written agreements with clients, properly update regulatory filings, fully disclose material facts related to investments recommended to clients, and respond to requests for information as he conducted business in the State as an investment adviser representative, (2) Brooks' failure to follow the rules set by his broker-dealer firm, recommend only suitable investments to his clients, avoid conflicts of interest in investment recommendations; and (3) Brooks' offer and sale of unregistered securities in this State.
3. Such actions by Respondents both constitute dishonest and unethical practices and violate the high standards of commercial honor and just and equitable principles of trade they are required to observe in the conduct of their business. The actions, furthermore, violate the Act and, pursuant to S.C. Code Ann. § 35-1-412, form the basis for (i) revoking Respondent JBF's investment adviser registration, (ii) revoking Respondent Brooks' investment adviser representative and agent registrations, (iii) issuing against each Respondent a permanent bar prohibiting him or it from engaging in securities business in the State of South Carolina, and (iv) imposing a civil penalty, and other sanctions as appropriate, upon each Respondent.

JURISDICTION

4. The Securities Commissioner of the State of South Carolina ("Commissioner") has jurisdiction over this matter pursuant to S.C. Code Ann. § 35-1-601(a).

RESPONDENTS

5. Respondent Brooks, at all times material herein, was a resident of South Carolina.
6. Respondent Brooks, at all times material herein, was the registered agent and principal control person of Respondent JBF.
7. Respondent JBF is a South Carolina corporation.
8. Respondent JBF's filings with the Secretary of State's office indicate a registered address of 233 Barnwell Avenue NW, Aiken, South Carolina 29801.
9. Respondent JBF's website indicates an address of 124 Laurens Street, NW, Aiken, South Carolina 29801.

INVESTMENT ADVISORY ACTIVITIES

10. On or around January 4, 2011, Respondent JBF became registered with the Division as an investment adviser.
11. On or around January 4, 2011, Respondent Brooks became registered with the Division as an investment adviser representative of Respondent JBF.
12. Pursuant to Respondent JBF's filings with the Division, which were made by Respondent Brooks, the Respondents' principal business address for investment advisory purposes on October 21, 2010, was located at 124 Laurens Street, NW, Aiken, South Carolina 29801.
13. The Laurens Street address was indicated in the Respondents' filings as the physical location of books and records required to be maintained by the Respondents.

14. On July 17, 2012, the Division began an audit of Respondents' business at the Laurens Street address.
15. On August 24, 2012, the Division made a second trip to the Laurens Street address for additional review of client files and copies of client statements.
16. On or around October 24, 2012, an Examination Summary Report ("ESR") of the examination conducted of JBF was issued.
17. The ESR, a copy of which is attached as Exhibit A, listed eleven (11) findings resulting from the audit and, for each finding, identified required action.
18. Specific audit findings include:
 - a. JBF did not have sufficient documentation of the details surrounding each security transaction for its clients;
 - b. JBF did not maintain and was not able to produce in a timely manner financial statements detailing the activities and solvency of the firm;
 - c. JBF claimed not to have discretionary authority in client accounts, however upon examination it was found that clients had given JBF discretionary authority when completing custodial account agreements;
 - d. JBF did not execute an advisory contract with investment advisory clients;
 - e. Client files did not contain adequate information on which to base investment recommendations;
 - f. JBF did not have written supervisory procedures in place to serve as a guide for compliance with applicable securities laws and regulations;
 - g. JBF had charged at least one client both an ongoing advisory fee and a commission on one or more transactions with no documentary evidence that both charges had been disclosed to the client;

BROKER-DEALER AGENT ACTIVITIES

24. On September 10, 2009, Respondent Brooks became registered in South Carolina as an agent of broker-dealer Sicor Securities, Inc.
25. On December 2, 2011, Respondent Brooks, having terminated his agency with Sicor Securities, Inc., became a registered agent of High Street Securities, Inc. ("High Street").
26. On or around November 5, 2012, High Street began an internal review of Brooks' activities with regard to an inquiry it received regarding premature distribution of multiple fixed indexed annuities of four (4) senior citizens resulting in surrender charges of over one hundred thousand dollars (\$100,000.00) for early termination of the contracts.
27. Premature distributions from annuities resulting in high surrender charges absent a significant need on the part of the policyholder are unsuitable for senior investors.
28. At the time of High Street's internal review additional premature distribution requests were pending at American Equity Investment Life Insurance Company ("American Equity").
29. According to the Department of Insurance website, Brooks' association with American Equity terminated on November 7, 2012.
30. On or around November 21, 2012, following High Street's internal review, Brooks was terminated by High Street.
31. Brooks' termination from High Street occurred as a result of Brooks' failure to consult High Street as to the suitability of the annuity activities and because certain of Brooks' brokerage clients were being referred to an undisclosed real estate development

company in violation of firm prohibitions against engaging in unsuitable transactions and selling away.

32. Brooks' most recent U4 filing as of January 18, 2013, in Section 3 indicates that he is registered with an unaffiliated broker-dealer although no such registration is currently documented.
33. Brooks' most recent U4 filing as of January 18, 2013, in Section 13 titled "Other Business" indicates that he is a registered representative with High Street Securities.

UNREGISTERED ACTIVITY

34. On or around November 9, 2012, Division staff received information that distributions from Individual Retirement Accounts ("IRAs") belonging to one or more of Brooks' clients had been invested in a private school in Aiken, South Carolina with which Brooks was closely associated.
35. Division staff began an investigation and, on November 9, 2012, inquired into the alleged transactions by requesting information from Brooks regarding his association with Compass Academy of Aiken ("Compass") and information concerning any JBF clients who had invested in Compass.
36. In response to the Division's November 9, 2012, inquiry, Brooks identified three (3) JBF clients as investors in Brooks Real Estate Holdings, Inc. ("BREH").
37. According to Brooks, BREH owns the land upon which Compass is being built.
38. Also in his response to the Division's November 9, 2012, inquiry, Brooks offered copies of cashier's checks that he claimed had been provided to the three (3) JBF client investors in BREH to refund their investments.
39. It was later determined by the Division that at least twelve (12) JBF clients had invested in BREH.

40. It was also later determined by the Division that the checks Brooks claimed were used to reimburse investors were not so used.
41. On or around January 7, 2013, the Division issued a subpoena for Brooks to produce bank statements and other documents and to appear before the Division for testimony on January 15, 2013.
42. On January 15, 2013, Brooks appeared as ordered and provided sworn testimony as to his dealings with and on behalf of Compass.
43. During Brooks' testimony on January 15, 2013, he indicated to Division staff that he believed the audit response that was due by December 31, 2012, had previously been submitted and the related audit fee had been paid.
44. On or around January 16, 2013, following Brooks' testimony under oath, the Division sent a request for documents that included a request for copies of invoices or receipts to support all payments from the Compass account of \$5,000 or more during the period January 1, 2012, through December 31, 2012. Included in the request were detailed instructions indicating "If no invoices or receipts are available, a statement under oath detailing the recipient of and purpose for each payment of \$5,000 or more from the account [is to be provided]. If you do not have the personal knowledge needed for such statement, the statement under oath is to be provided by a person who does have personal knowledge."
45. In its January 16, 2013, request for additional documents, the Division also requested copies of the "Term Sheets" provided to prospective investors in BREH and/or Compass.
46. In response to the request for "Term Sheets" Brooks provided two documents, a "Term Sheet 1" and a "Term Sheet 2." These documents, which are attached as Exhibits C

and D, reflect the terms pursuant to which Brooks indicated investments in BREH were accepted.

47. The investments in BREH were not registered for offer or sale in South Carolina, and this was clearly stated in the Term Sheets allegedly provided to prospective investors.
48. The Term Sheets claimed the interests were being offered "pursuant to the private placement exemption afforded by Section 4(2) and the exemption afforded by Regulation D promulgated by the Securities and Exchange Commission."
49. However, none of the paperwork required to perfect a Regulation D exemption was filed at the federal level. Additionally, at the state level, documentation of the claim of exemption is required no later than fifteen days after the first sale of the security in this State. The first sale of the security was prior to year end 2012 and, to date, no exemption notice has been filed with the Division, leaving the BREH securities both unregistered and not federally covered.
50. On or around January 18, 2013, following Brooks' testimony at the Division during which he was asked about his failure to respond to the ESR as required by law, the Division received a purported response to the ESR. Among other things the response indicated corrective action required by December 31, 2012, pursuant to the ESR remained uncompleted.
51. Subsequent to Brooks' testimony on January 15, 2013, the Division received by mail a check dated January 15, 2013, for the audit fee that was due on November 8, 2012.
52. On or around January 24, 2013, the Division again contacted Brooks regarding its request for copies of receipts or invoices supporting payments from the Compass account of \$5,000.00 or more during 2012.

53. On or around January 29, 2013, Brooks responded. In his response, Brooks indicated that he did not have invoices from HBC (the construction company hired to build the school) for the construction costs. In the same response, Brooks made no mention of or reference to invoices or receipts for any of the other expenses of \$5,000.00 or more.
54. Based on bank statements provided by Brooks, there were sixty-one payments from the Compass account in excess of \$5000.00 or more in 2012. Also, based on information from Brooks, the sum of all such payments totaled in excess of five million dollars (\$5,000,000.00).
55. As of February 20, 2013, Brooks has not provided copies of invoices or receipts for any of the over five million dollars of payments from the Compass account of \$5,000.00 or more.
56. To date, all known investor funds have been deposited to a Compass account controlled by Brooks and his wife.
57. Yet, subscription agreements indicate all the investments Brooks has thus far admitted are with BREH, are secured by an interest in BREH, and thus rely on assets and income of BREH (rather than Compass) for repayment.
58. In connection with Brooks' offer and sale of BREH notes to JBF clients, at least three prospective investors were provided with a "Business Plan" which indicates Compass Academy of Aiken is a 501c(3) organization and that donations to the school are tax deductible. The "Business Plan," a copy of which is attached as Exhibit E, also makes other statements regarding Compass, its vision, mission, governance, Head of School, Accreditation, and more.

59. To date no evidence has been located which supports the claim that Compass is a 501c(3) organization and, in fact, evidence has been located which suggests the statement is false.
60. Upon information and belief the Business Plan contains one or more other omissions or misstatements of material fact as well.
61. Based on the information above, it is appropriate, in the public interest, for the protection of investors, to issue an order revoking Respondents' respective registrations and imposing a permanent bar and a civil penalty upon Respondents.

COUNTS 1-2

(Failure to Make and Maintain Required Records)

62. Each relevant and consistent allegation of this NOI is hereby repeated and re-alleged as if set forth verbatim.
63. Pursuant to S.C. Code Ann. § 35-1-411, JBF and Brooks are under an obligation to keep and maintain certain books and records.
64. Pursuant to S.C. Code Regs. § 13-408(A)(10) and § 13-502(16), JBF and Brooks are required to execute written investment advisory contracts with their clients.
65. S.C. Code Ann. § 35-1-411 also required Respondents to update and keep accurate certain material information.
66. By failing to execute and maintain written investment advisory contracts and failing to make and maintain other required records, Respondents have violated the Act.

COUNTS 3-5

(Failure to Respond to Request from the Division)

67. Each relevant and consistent allegation of this NOI is hereby repeated and re-alleged as if set forth verbatim.

68. Pursuant to S.C. Code Ann. § 35-1-412(d)(8), Respondents may be disciplined if they refuse to allow or otherwise impede the Commissioner from conducting an audit or inspection.
69. Respondents' failures to respond and/or incomplete responses to the October 24, 2012 ESR, and the Division's January 16, 2013, and January 24, 2013, requests for information impeded the Division's audit and inspection and constitute violations of the Act.

COUNTS 6-7
(Dishonest and Unethical Practices)

70. Each relevant and consistent allegation of this NOI is hereby repeated and re-alleged as if set forth verbatim.
71. Pursuant to S.C. Code Regs. §13-502(A)(21), employing any device, scheme, or artifice to defraud or engaging in any act, practice or course of business which operates or would operate as a fraud or deceit is considered a dishonest or unethical practice.
72. Pursuant to S.C. Code Regs. §13-502(B), failure to disclose material information and providing false information to the Division are considered dishonest business practices.
73. Pursuant to S.C. Code Ann. § 35-1-412(d)(13), Respondents may be disciplined for engaging in dishonest and unethical practices.
74. Brooks' statement to the Division, on behalf of himself and JBF, that he had reimbursed certain clients for their investments in BREH was false.
75. Providing false information to the Division is considered a dishonest business practice and is a violation of the Act.
76. Additionally, misleading one or more clients regarding the nature of Compass as a 501c(3) organization constitutes a dishonest or unethical business practice.

77. Respondents' dishonest and unethical practices are a violation of the Act, and subject them to discipline under the Act.

COUNT 8
(Failure to Maintain Fiduciary Duty)

78. Each relevant and consistent allegation of this NOI is hereby repeated and re-alleged as if set forth verbatim.
79. As an investment adviser and investment adviser representative, JBF and Brooks have a fiduciary duty to their clients. Such a duty is implied in the Investment Advisors Act of 1940, and is further discussed by the United States Supreme Court as far back as 1963 in *S.E.C. v. Capital Gains Research Bureau*, 375 U.S. 180 (1963).
80. In order to satisfy their fiduciary duty to their clients, Brooks and JBF are required to put their clients' interests above their own, to eliminate, or at least to expose, all conflicts of interest which might incline them to render advice which is not disinterested, to employ utmost good faith, fully and fairly disclose all material facts, employ reasonable care to avoid misleading their clients. *Id.*
81. Furthermore, S.C. Code Regs. § 13-502(B) provides that Respondents may be disciplined for non-disclosure or incomplete disclosure.
82. As a fiduciary, Brooks is under a duty to fully disclose any conflict of interest present in his investment advice to his clients. Brooks and JBF's undisclosed conflicts related to Brooks' involvement in, and/or relationship to, compensation from Compass constitute violations of the Act and subject Respondents to discipline.

COUNTS 9-10
(Failure to Follow Broker-Dealer Rules
Suitability and Selling Away)

83. Each relevant and consistent allegation of this NOI is hereby repeated and re-alleged as if set forth verbatim.
84. Pursuant to S.C. Code Regs. § 13-501(A)(3), Brooks has a duty to ensure that his recommendations are suitable for his customers based upon reasonable inquiry concerning the customer's investment objectives, financial situation and needs, and any other relevant information known by the broker-dealer.
85. Moreover, pursuant to S.C. Code Regs. § 13-501(B)(2), it is unlawful to effect securities transactions not recorded on the regular books and records of the broker-dealer which the agent represents, unless those transactions are authorized in writing by the broker-dealer prior to execution of the transaction.
86. Brooks' recommendations to several senior customers to prematurely distribute their investments in annuities, which caused early termination surrender charges, violated suitability rules established by the broker-dealer with which he was employed.
87. Additionally, Brooks' BREH transactions, some of which involved some of his High Street customers, were not carried on High Street's regular books and records.
88. Accordingly, the activity constituted "selling away", which constitutes a failure to observe high standards of commercial honor and just and equitable principles of trade in the conduct of Brooks' business, subjecting Brooks to discipline.
89. Brooks' failures to follow the rules of his employing broker-dealer constitute violations of the Act and subject Brooks to discipline.

COUNT 11-22
(Sale of Unregistered Securities)

90. Each relevant and consistent allegation of this NOI is hereby repeated and re-alleged as if set forth verbatim.
91. Pursuant to S.C. Code Ann. § 35-1-301, it is unlawful for a person to offer or sell a security in this State unless the security is a federal covered security, the security, transaction or offer is exempted from registration, or the security is registered.
92. Neither BREH nor Compass had securities registered which were either federal covered or registered or exempt pursuant to the Act.
93. Yet on at least twelve occasions Brooks offered and sold BREH and/or Compass securities in this State.
94. Each of Brooks' sales of BREH and Compass securities constitutes a separate violation of the Act and subjects Brooks to discipline.

COUNTS 23-24
(Providing false or misleading information to the Division)

95. Each relevant and consistent allegation of this NOI is hereby repeated and re-alleged as if set forth verbatim.
96. Pursuant to S.C. Code Ann. § 35-1-505, it is unlawful for a person to make a statement to the Division that is false or misleading in a material respect.
97. While under oath, Brooks on behalf of himself and JBF informed the Division that he had only three customers who had invested in BREH.
98. Additionally, Brooks informed the Division that JBF was refunding those three investors for their investments in BREH.
99. These two statements were false and misleading, and constitute violations of the Act, pursuant to which Brooks can be disciplined.

REQUEST FOR AN ORDER REVOKING RESPONDENTS' REGISTRATIONS

100. Pursuant to S.C. Code Ann. § 35-1-412(b), if the Securities Commissioner finds that the order is in the public interest and subsection (d) authorizes the action, an order under the Act may revoke, suspend, condition, or limit the registration of a registrant.

101. Pursuant to S.C. Code Ann. § 35-1-412(c), if the Securities Commissioner finds that the Order is in the public interest and subsection (d)(1) through (6), (8), (9), (10), or (12) and (13) authorizes the action, an order under the Act may censure, impose a bar, and/or impose a civil penalty in an amount not to exceed \$10,000 for each violation on a registrant.

102. Pursuant to S.C. Code Ann. § 35-1-412(d), a person may be disciplined under subsections (a) through (c) if the person: ...

(2) willfully violated or willfully failed to comply with [the Act] or a rule adopted or order issued under [the Act]...

(8) refuses to allow or otherwise impedes the Securities Commissioner from conducting an audit or inspection under Section 35-1-411(d).

103. Pursuant to S.C. Code Regs. §§ 13-501 and 13-502 a person who has not observed high standards of commercial honor and just and equitable principles of trade in the conduct of their business, may be subject to revocation of registration, imposition of administrative fines, or such other action authorized by statute.

NOW THEREFORE, the Division requests that the Commissioner grant the following relief against Respondents:

- a. Pursuant to S.C. Code Ann. § 35-1-412(b), revoke Brooks' investment adviser representative registration;

- b. Pursuant to S.C. Code Ann. § 35-1-412(b), revoke Brooks' broker-dealer agent registration;
- c. Pursuant to S.C. Code Ann. § 35-1-412(b), revoke JBF's investment adviser registration;
- d. Pursuant to S.C. Code Ann. § 35-1-412(c), permanently bar Brooks from conducting securities business in the State of South Carolina;
- e. Pursuant to S.C. Code Ann. § 35-1-412(c), permanently bar JBF from conducting securities business in the State of South Carolina;
- f. Pursuant to S.C. Code Ann. § 35-1-412(c), order Brooks to pay a civil penalty in an amount not exceeding ten thousand and no/100 (\$10,000.00) dollars for each violation of the Act and each violation of any rule or order promulgated by the Commissioner committed by or on behalf of him;
- g. Pursuant to S.C. Code Ann. § 35-1-412(c), order JBF to pay a civil penalty in an amount not exceeding ten thousand and no/100 (\$10,000.00) dollars for each violation of the Act and each violation of any rule or order promulgated by the Commissioner committed by or on behalf of it; and
- h. Order any other relief that the Commissioner deems appropriate.

NOTICE AND OPPORTUNITY FOR A HEARING

NOTICE is hereby given that the Respondent shall have thirty (30) days from the date of receipt of this Notice of Intent to file an answer and, if desired, a request for a hearing on the matters contained herein. Such answer and, if desired, request for a hearing should be filed with Thresechia Navarro, Securities Division, Post Office Box 11549, Columbia, South Carolina, 29211-1549. In the written Answer, the Respondents, shall admit or deny each factual allegation in this Notice of Intent, shall set forth specific facts, laws, and/or

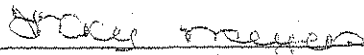
affirmative defenses upon which the Respondents rely and, if desired, make a request for a hearing. A Respondent without knowledge or information sufficient to form a belief as to the truth of an allegation shall so state.

In the event an answer and written notice requesting a hearing is not received within the above-stated thirty (30) day period of time, an order revoking Respondents' investment adviser, investment adviser representative, and broker-dealer agent registrations, and imposing permanent bars and penalties may be entered in this proceeding with no further notice.

Executed and entered, this the 25th day of February, 2013.

SOUTH CAROLINA OFFICE OF THE
ATTORNEY GENERAL

By: _____



TRACY A. MEYERS
Assistant Deputy Attorney General

ANDREW J. MACLEOD
Assistant Attorney General

Securities Division
Post Office Box 11549
Columbia, South Carolina 29211
(803) 734-4731

EXAMINATION SUMMARY REPORT
J. BROOKS FINANCIAL, INC.

Examinee: J. Brooks Financial, Inc. ("JBF")
Phone: 803-648-1003
Fax: 803-642-8665

Contacts: Jonathan Warren Brooks
On-Site Visits: July 17, 2012 and August 24, 2012

Exam: Date Started: 6/26/2012
Date Completed: 10/11/2012

File Number: 12017

EXAMINATION SUMMARY REPORT
J. BROOKS FINANCIAL, INC.

Finding Number One

Memorandum of each order

JBF does not have sufficient documentation of the details surrounding each security transaction for its clients.

Statute or Rule of Reference

South Carolina Code of Regulations Regulation 13-408(A)(3) ("Reg 13-408(A)(3)")

South Carolina Code of Regulations Regulation 13-408(A)(7) ("Reg 13-408(A)(7)")

Required Action

JBF should document and make easily accessible a memorandum containing the information referenced in Reg 13-408(A)(3) for each order for the purchase or sale of any security for its clients. Such documentation should be found within each client's file or in a master file. It is also recommended that JBF document the rationale for each recommendation. Items required to be kept pursuant to Reg 13-408(a)(7) should similarly be maintained.

This report results from a limited-scope examination. The acts and practices cited above may constitute violations of the referenced statute or regulation; however, the fact that findings are or are not indicated shall not be deemed conclusions that statutory or regulatory violations have or have not occurred.

EXAMINATION SUMMARY REPORT
J. BROOKS FINANCIAL, INC.

Finding Number Two

Financial Statements

JBF did not maintain and was not able to produce in a timely manner financial statements detailing the activities and solvency of the advisory firm.

Statute or Rule of Reference

South Carolina Code of Regulations Regulation 13-406(A) ("Reg 13-406(A)")
South Carolina Code of Regulations Regulation 13-408(A)(6) ("Reg 13-408(A)(6)")

Required Action

JBF must maintain and be able to produce financial statements showing the Adviser's business activities and current financial position. The term maintain, as used here, refers to the Adviser's need to have all data organized and input so financial statements can be produced in a timely manner. It is recommended JBF isolate its financial transactions from those of other entities.

As a related matter, we recommend that JBF become familiar with Reg 13-406(A) of the South Carolina Code of Regulations which requires any adviser who has discretionary authority in client accounts to maintain a minimum net worth of \$35,000.00 or acquire and maintain a surety bond of no less than \$35,000.00. If an adviser's net worth should drop below that threshold, Reg 13-406(a) requires an adviser whose net worth drops below \$35,000.00 to notify the Securities Division by the close of business the next day and cease all such advisory business until the net worth is restored or a surety bond is acquired.

This report results from a limited-scope examination. The acts and practices cited above may constitute violations of the referenced statute or regulation; however, the fact that findings are or are not indicated shall not be deemed conclusions that statutory or regulatory violations have or have not occurred.

EXAMINATION SUMMARY REPORT
J. BROOKS FINANCIAL, INC.

Finding Number Three

Discretionary Authority

JBF initially claimed not to have discretionary authority in client accounts. Upon examination it was found that clients had given JBF discretionary authority when completing custodial account agreements.

Statute or Rule of Reference

South Carolina Code of Regulations Regulation 13-408(A)(8) ("Reg 13-408(A)(8)")

Required Action

JBF must maintain and be able to produce a list or other record which identifies all accounts in which the adviser is vested with any discretionary power with respect to funds, securities or transactions.

This report results from a limited-scope examination. The acts and practices cited above may constitute violations of the referenced statute or regulation; however, the fact that findings are or are not indicated shall not be deemed conclusions that statutory or regulatory violations have or have not occurred.

EXAMINATION SUMMARY REPORT
J. BROOKS FINANCIAL, INC.

Finding Number Four

Investment Advisory Contract

JBF does not execute an advisory contract with investment advisory clients.

Statute or Rule of Reference

South Carolina Code of Regulations Regulation 13-408(A)(10) ("Reg 13-408(A)(10)")
South Carolina Code of Regulations Regulation 13-502(A)(16) ("Reg 13-502(A)(16)")

Required Action

JBF must execute and maintain a written contract with each advisory client. Pursuant to Reg 13-502(A)(16), dishonest and unethical business practices include entering into, extending or renewing any investment advisory contract unless such contract is in writing and discloses, in substance, the services to be provided, the term of the contract, the advisory fee or the formula for computing the fee, the amount or the manner of calculation of the amount of the prepaid fee to be returned in the event of contract termination or non-performance, whether the contract grants discretionary power to the adviser or its representatives and that no assignment of such contract shall be made by the adviser without the consent of the other party to the contract.

JBF should make any needed revisions to its contract, execute the contract with each client within 60 days, and notify the Division when all contracts have been executed.

This report results from a limited-scope examination. The acts and practices cited above may constitute violations of the referenced statute or regulation; however, the fact that findings are or are not indicated shall not be deemed conclusions that statutory or regulatory violations have or have not occurred.

EXAMINATION SUMMARY REPORT
J. BROOKS FINANCIAL, INC.

Finding Number Five

Adequate client information on which to base recommendations

During the examination, it was noted that although Mr. Brooks was able to articulate reasons for client investments, not all client files contained adequate information on which to base investment recommendations.

Statute or Rule of Reference

South Carolina Code of Regulations Regulation 13-408(A)(18) ("Reg 13-408(A)(18)")

South Carolina Code of Regulations Regulation 13-502(A)(1) ("Reg 13-502(A)(1)")

Required Action

JBF should collect and retain adequate written information (investment history, financial status, risk tolerance, investment objectives and other relevant information), on which to base the appropriateness of investment recommendations. This information should be in writing and updated regularly. Also, we recommend the Adviser document the rationale behind specific investment recommendations.

This report results from a limited-scope examination. The acts and practices cited above may constitute violations of the referenced statute or regulation; however, the fact that findings are or are not indicated shall not be deemed conclusions that statutory or regulatory violations have or have not occurred.

EXAMINATION SUMMARY REPORT
J. BROOKS FINANCIAL, INC.

Finding Number Six

Supervisory Procedures Manual

At the time of the examination, JBF did not have written supervisory procedures in place to serve as a guide for compliance with applicable securities laws and regulations.

Statute or Rule of Reference

South Carolina Code of Regulations Regulation 13-408(A)(19) ("Reg 13-408(A)(19)")
Code of Financial Regulations, Title 17, Part 248

Required Action

JBF must obtain and have available a supervisory procedures manual, tailored to J. Brooks Financial and the services it provides, that is reasonably designed to achieve compliance with applicable securities laws and regulations. The manual should serve as a guide for all personnel of the firm and be specific to the services it provides. We recommend that all investment advisory representatives and staff indicate by signature or initials that they have read and understand the procedures manual.

The Division reminds JBF of its responsibility to establish and maintain a Privacy Policy as required by South Carolina Code of Regulations 13-502(A)(17). Other rules also require that a Privacy Policy Statement be given to each customer/client initially and annually.

This report results from a limited-scope examination. The acts and practices cited above may constitute violations of the referenced statute or regulation; however, the fact that findings are or are not indicated shall not be deemed conclusions that statutory or regulatory violations have or have not occurred.

EXAMINATION SUMMARY REPORT
J. BROOKS FINANCIAL, INC.

Finding Number Seven

Advisory Fees and Commissions

Upon examination of client files, it appears some clients were charged both an ongoing advisory fee and a commission on one or more transactions. There was no documentation that this had been disclosed to the client.

Statute or Rule of Reference

South Carolina Code of Regulations Regulation 13-502(A)(11)(b) ("Reg 13-502(A)(11)(b)")

Required Action

According to statements by Mr. Jonathan Brooks, the incidents found were accidental and it was not his intent to charge both. JBF should confirm that no other clients are being charged both a fee and a commission. In the future, JBF should not charge a client an advisory fee for rendering advice without disclosing that a commission for executing securities transactions pursuant to such advice will be received by the adviser.

This report results from a limited-scope examination. The acts and practices cited above may constitute violations of the referenced statute or regulation; however, the fact that findings are or are not indicated shall not be deemed conclusions that statutory or regulatory violations have or have not occurred.

EXAMINATION SUMMARY REPORT
J. BROOKS FINANCIAL, INC.

Finding Number Eight

Advertising

JBK created and used several print advertisements in its advisory business promoting "6 - 8% FDIC protected CD's" with no further disclosure regarding the suitability of the recommendation. Also, no documentation was available showing that the broker-dealer firm with which Jonathan Brooks is registered had approved the advertisements.

Statute or Rule of Reference

South Carolina Code of Regulations Regulation 13-408(A)(11) ("Reg 13-408(A)(11)")
South Carolina Code of Regulations Regulation 13-501(A)(3) ("Reg 13-501(A)(3)")

Required Action

When using advertising that recommends a particular product, JBK should document who the target audience is and the rationale as to why the recommendation is considered suitable for the audience expected to receive it. This documentation should be readily accessible. Also, when approval from the broker-dealer with which Jonathan Brooks is a registered agent is needed, documentation of that approval should be kept in a readily accessible format.

This report results from a limited-scope examination. The acts and practices cited above may constitute violations of the referenced statute or regulation; however, the fact that findings are or are not indicated shall not be deemed conclusions that statutory or regulatory violations have or have not occurred.

EXAMINATION SUMMARY REPORT
J. BROOKS FINANCIAL, INC.

Finding Number Nine

Annual Offer of Form ADV Part 2 to Clients

JBF has not offered its clients an updated Form ADV, Part 2, annually and has not documented the date that the Form ADV, Part 2, was given or offered to its clients.

Statute or Rule of Reference

South Carolina Code of Regulations Regulation 13-408(A)(14) ("Reg 13-408(A)(14)")
South Carolina Code of Regulations Regulation 13-502(B) ("Reg 13-502(B)")
Code of Financial Regulations, Title 17, Part 248

Required Action

JBF should deliver or offer to its clients an updated Form ADV, Part 2, on an annual basis and should document the date the Form ADV, Part 2, was delivered or offered to each client.

This report results from a limited-scope examination. The acts and practices cited above may constitute violations of the referenced statute or regulation; however, the fact that findings are or are not indicated shall not be deemed conclusions that statutory or regulatory violations have or have not occurred.

EXAMINATION SUMMARY REPORT
J. BROOKS FINANCIAL, INC.

Finding Number Ten

Discrepancies in Form ADV

The Securities Division noted what appear to be discrepancies in, misstatements of, or omissions in information provided by JBF in its Firm Brochure (Part 2A of Form ADV) dated July 12, 2012.

- 1) Beginning on page 1 and continuing through page 13, the identifying information following the page number reads "LMP Amalgamated Planning, LLC.
- 2) On page 1 of the Firm Brochure, under the section titled Types of Advisory Services, the second paragraph states "On more than an occasional basis, FWS furnishes advice to clients..."
- 3) On page 2 of the Firm Brochure in the paragraph titled Investment Accounts not Involving Supervisory Services, it is stated that "JBF will not have discretion at any time on these accounts." Numerous documents completed by JBF clients contain language that grants discretion to JBF.
- 4) On page 2 of the Firm Brochure in the paragraph titled Client Tailored Services and Client Imposed Restrictions, it is stated that "The goals and objectives for each client are documented in our client files." Such documentation was not located in several of the client files reviewed.
- 5) On page 2 of the Firm Brochure in the paragraph titled Client Assets under Management, information needs to be included relative to investment advisory assets that are actively managed by JBF rather than assets managed by a third-party money manager.
- 6) On page 2 of the Firm Brochure in the paragraph titled Method of Compensation and Fee Schedule, disclosure needs to be included regarding fees charged to clients with investment advisory assets managed by JBF.
- 7) On page 3 of the Firm Brochure in the paragraph titled Investment Accounts not Involving Supervisory Services, the terminology "Supervisory Services" needs to be defined and/or clarified. It is unclear to which accounts this paragraph applies.
- 8) On page 3 of the Firm Brochure in the paragraph titled External Compensation for the Sale of Securities to Clients it is stated that "JBF does not receive any external compensation for the sale of securities to clients, nor do any of the investment advisor representatives of JBF." Instances of commissions being paid to Jonathan Brooks for the sale of securities to clients were noted during review of client files.
- 9) On page 4 of the Firm Brochure in the first paragraph of the section titled Investment Strategy and Method of Analysis Material Risks it is stated that "Each client executes an Investment Policy Statement or Risk Tolerance that documents their desired investment strategy." Such documents were not located in several of the client files reviewed.

This report results from a limited-scope examination. The acts and practices cited above may constitute violations of the referenced statute or regulation; however, the fact that findings are or are not indicated shall not be deemed conclusions that statutory or regulatory violations have or have not occurred.

EXAMINATION SUMMARY REPORT
J. BROOKS FINANCIAL, INC.

Finding Number Ten (cont.)

Discrepancies in Form ADV (cont.)

Required Action

JBF should carefully review the Firm Brochure to determine if all statements in the Brochure are accurate. If any statements, including but not limited to those listed above, are not accurate, JBF should make the necessary corrections. JBF should provide revised copies of any and all documents it modifies to the Division for review no later than December 31, 2012. If JBF determines no revisions are needed, a letter to the Division to this effect dated no later than December 31, 2012 will be sufficient.

This report results from a limited-scope examination. The acts and practices cited above may constitute violations of the referenced statute or regulation; however, the fact that findings are or are not indicated shall not be deemed conclusions that statutory or regulatory violations have or have not occurred.

EXAMINATION SUMMARY REPORT
J. BROOKS FINANCIAL, INC.

Finding Number Eleven

Discrepancies in Investment Advisory Agreement

In its review of the Investment Advisory Agreement dated October 21, 2010 that JBF provided to the Division at the time of its initial application for registration, the Division noted discrepancies or omissions of information. Examples include:

- 1) On page 1 of the Investment Advisory Agreement, it is stated that "JBF will not have discretion or custody, at any time, of client funds and/or securities." Review of client files noted several custodial agreement documents granting discretion to JBF.
- 2) On page 3 of the Investment Advisory Agreement, conditions defined in paragraph D appear to be in conflict with conditions defined in paragraph K. Additionally, all contracts must be in writing to be in compliance with South Carolina regulations as noted earlier in this report.
- 3) On page 4 of the Investment Advisory Agreement, there is no date reflected for the J. Brooks Financial, Inc. representative signature.
- 4) Schedule C of the Investment Advisory Agreement fails to include advisory accounts for which JBF serves as the investment adviser rather than a third-party manager serving as the adviser.

Required Action

JBF should carefully review its Investment Advisory Agreement to determine if all statements in the Agreement are accurate. If any statements, including but not limited to those listed above, are not accurate, JBF should make the necessary corrections. JBF should provide revised copies of any and all documents it modifies to the Division for review no later than December 31, 2012. If JBF determines no revisions are needed, a letter to the Division to this effect dated no later than December 31, 2012 will be sufficient.

This report results from a limited-scope examination. The acts and practices cited above may constitute violations of the referenced statute or regulation; however, the fact that findings are or are not indicated shall not be deemed conclusions that statutory or regulatory violations have or have not occurred.

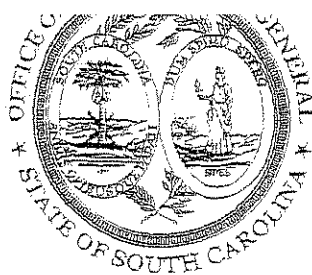


EXHIBIT B

ALAN WILSON
SECURITIES COMMISSIONER

October 24, 2012

Mr. Jonathan W. Brooks
J. Brooks Financial, Inc.
124 Laurens St. NW
Aiken, SC 29801

Re: Investment Adviser Examination - File Number 12017
On-site visits July 17, 2012 and August 24, 2012

Dear Mr. Brooks:

Enclosed please find a report of the examination recently conducted of your firm, J. Brooks Financial, Inc. Please provide needed responses and documents no later than December 31, 2012. Pursuant to Section 35-1-411 of the South Carolina Uniform Securities Act of 2005, your firm is hereby assessed a charge of three hundred dollars (\$300.00) for the examination conducted at your office on the above-referenced dates. Please let this letter serve as our invoice and remit payment within 15 days to the following address:

Office of the South Carolina Attorney General
Attention: Thresechia Navarro
Securities Division
PO Box 11549
Columbia, SC 29211-1549

If you have any questions, please call me at 803-734-3300.

Sincerely yours,

Sandra Matthews
Auditor

Term sheet 1

TERMS OF THE OFFERING

The Company is offering 6500 Units of membership interests at \$1,000 per Unit for a total of \$6,500,000. The Offering terminates at 11:59 p.m. on November 30th, 2012; unless otherwise extended by the Company to a date no later than December 31st, 2012. Such extension shall be at the Managers' discretion without notice to the investors. Subscriptions will be binding on the Company only on acceptance by the Managers and the Managers reserve the right to reject any subscription in whole or in part. The process of repaying each Unit shall be as follows: 8% interest on each Unit at to begin October 1st, 2013 unless otherwise agreed upon. The first payment will include any and all previous interest that accumulated up until October 1st, 2013. Each payment shall be semi annually thereafter. At the end of 10 years, a balloon payment of all Unit costs will be due.

The purchaser of each Unit will be obligated to pay the Capital Contribution in the amount of \$1,000 per Unit by delivery of cash together with the Subscription Agreement for such Unit.

The Interests have not been registered under the Securities Act of 1933, as amended, and are being offered pursuant to the private placement exemption afforded by Section 4(2) and the exemption afforded by Regulation D promulgated by the Securities and Exchange Commission. The Interests have not been registered under the "Blue Sky" or other securities laws of any state.

Before a prospective investor shall be sold any Interests in the Company, certain representations must be made pursuant to the Purchaser Questionnaire and the Subscription Agreement which must be read carefully in conjunction with this Offering Memorandum.

This Offering Memorandum and the Execution Documents package provided each prospective investor contain exhibits of all the documents necessary to subscribe for Interests. All subscription funds will be held in a segregated account established by the Company. At any time, the Company may close the sale of such Interests, admit such investors as members to the Company, obtain the funds from that account and, if necessary, use the funds to close the Development Loan as provided herein. Additional subscriptions, up to the total Offering may be closed and such investors admitted to the Company upon receipt and approval of such subscriptions prior to the termination of the Offering. If subscriptions for the total Offering have not been received by the termination date of the Offering, and the Managers have not elected to close the sale of any Interests, then the funds will be returned to the investors and the subscriptions cancelled.

Term sheet 2

TERMS OF THE OFFERING

The Company is offering 6500 Units of membership interests at \$1,000 per Unit for a total of \$6,500,000. The Offering terminates at 11:59 p.m. on November 30th, 2012; unless otherwise extended by the Company to a date no later than December 31st, 2012. Such extension shall be at the Managers' discretion without notice to the investors. Subscriptions will be binding on the Company only on acceptance by the Managers and the Managers reserve the right to reject any subscription in whole or in part. The process of repaying each Unit shall be as follows: 8% interest on each Unit at to begin October 1st, 2013 unless otherwise agreed upon. The first payment will include any and all previous interest that accumulated up until October 1st, 2013. Each payment shall be semi annually thereafter. At the end of 4 years, a balloon payment of all Unit costs will be due.

The purchaser of each Unit will be obligated to pay the Capital Contribution in the amount of \$1,000 per Unit by delivery of cash together with the Subscription Agreement for such Unit.

The Interests have not been registered under the Securities Act of 1933, as amended, and are being offered pursuant to the private placement exemption afforded by Section 4(2) and the exemption afforded by Regulation D promulgated by the Securities and Exchange Commission. The Interests have not been registered under the "Blue Sky" or other securities laws of any state.

Before a prospective investor shall be sold any Interests in the Company, certain representations must be made pursuant to the Purchaser Questionnaire and the Subscription Agreement which must be read carefully in conjunction with this Offering Memorandum.

This Offering Memorandum and the Execution Documents package provided each prospective investor contain exhibits of all the documents necessary to subscribe for Interests. All subscription funds will be held in a segregated account established by the Company. At any time, the Company may close the sale of such Interests, admit such investors as members to the Company, obtain the funds from that account and, if necessary, use the funds to close the Development Loan as provided herein. Additional subscriptions, up to the total Offering may be closed and such investors admitted to the Company upon receipt and approval of such subscriptions prior to the termination of the Offering. If subscriptions for the total Offering have not been received by the termination date of the Offering, and the Managers have not elected to close the sale of any Interests, then the funds will be returned to the investors and the subscriptions cancelled.

COMPASS

Academy

Business Plan January 2012

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Introduction to COMPASS Academy

As of January 1, 2012, COMPASS Academy is a dream that will become reality in August of 2013.

The dream began as a conversation between two people who recognized a need for a private independent school offering both academic excellence and character development in Aiken, SC that incorporates K-12th grade. That conversation sparked a flurry of action in an effort to gauge support and interest. After many, many discussions with Aiken parents, it was soon realized that there is a niche in the community that needs to be filled. Generous donors have given over \$500,000.00 to begin this project. We have a plan in place to raise another \$8,500,000.00 by May 2012. Thus, the vision of COMPASS Academy has begun to transform from dream to reality.

Investor Information:

We are seeking capital funds for Compass Academy's building costs. Combined cost for the land and building, according to both the architect and builder, is approximately \$6,300,000.00. Compass Academy has \$300,000.00 cash to put into the deal in an effort to show we have "skin in the game".

Benefits to investor:

- According to the "Debt Plan" included in the business plan, the ROI will be within the first six years of Compass opening its doors in August 2013. As explained in the "Operating Budget" included in the business plan, Compass will have an average of \$1,500,00.00 excess per year for the first ten years.
- **The capital will be used for construction and land only.** The builder has agreed to fund a small amount in exchange for tuition dollars, the utilities in Montmorenci have offered to fund \$100,000.00 to get water and septic to the land for the school, and we have over 200 businesses in the area that have committed to each fund a classroom. This will provide the furnishings such as desks, smartboards, etc.
- After surveying over 1200 parents within a 30 mile radius of Aiken, 98% said that they agree we need a school such as Compass. 87% said that they would definitely enroll their children in the first academic year.
- South Carolina House and Senate just passed the "School Choice" Bill. This bill states that due to the poor quality of the state's education system, any parent that enrolls a child into a private school or homeschools a child, may take a \$4,000.00 tax deduction at the end of the year.

Vision

Today's Vision:

COMPASS Academy will provide a 5K-12th grade educational opportunity for students to be equipped with the skills of extraordinary thinkers, citizens, and community leaders. Educators at COMPASS Academy understand the importance of flexible and personalized approaches to education for each child to best maximize their potential. Our vision is a direct result of Rick Santorum's education platform. We believe that reforms at a local level should be focused on expanding consumer choice in education, attracting the best teachers to be competitive as a city, and rewarding excellence, innovation, and personalizing to the needs of individual students rather than governments and standardized test scores.

COMPASS Academy will offer both a strong academic program and a strong character development program. Academics will focus on the STEM Education Coalition and award winning curriculums such as Zaner-Blosser and Scholastic in an effort to provide the highest levels of learning in reading, writing, mathematics, science, history, biology, technology and engineering. The Character Development program will mirror Stephen Covey's curriculum, "The Leader In Me". This program focuses on leadership skills such as critical thinking, decision making, respect and integrity towards others, community involvement, money management, and much more.

Mission

COMPASS Academy is an independent private school offering academic excellence coupled with the development and cultivation of personal character which will enable each student to bring direction to their lives, ready to think on their own, stand for themselves, and act with respect and empathy toward others.

The mission of COMPASS Academy is to help our students understand their purpose, embrace their strengths, and stay true to his/her character while maintaining a high level of core values. Through a wide range of outstanding programs, COMPASS students will grow as healthy, balanced individuals and cultivate his/her unique self.

Philosophy

Growing up into a whole, healthy, and accomplished young adult is a challenge and a joy, and the entire Aiken community seeks to support and celebrate students along their way. Throughout their COMPASS Academy experience, young people will encounter opportunities to question, to reason, to express themselves, to discover and pursue a passion, to risk, and sometimes even fail and hopefully learn from that failure.

Governance

Planning Partners:

COMPASS Academy has received the support of dedicated individuals who are leaders in the community and will continue to require this support as our foundations are built and solidified. In the initial stages of development, these folks will be Planning Partners who will help mold and shape the Academy so that the vision is achieved and the mission is accomplished. COMPASS will rely heavily on Planning Partners for guidance, input, resources, knowledge, time, talent and leadership. These significant contributions will be greatly appreciated and highly regarded as the key factor in COMPASS Academy's initial success.

Board of Directors:

In the first academic school year, the Planning Partners will have the opportunity to become a member of the Founding Board of Directors. This Board will be responsible for all of the above as well as implementing the governing by-laws of the Academy. The Founding Board of Directors will serve a five year term in an effort to maintain stability while setting the foundation of the Academy. Every board thereafter will serve a 3 year term. The Board of Directors will have 51% control over all major decisions. The Head of School and Administrators will have 49% control over all major decisions.

Head of School:

The Head of School should serve as a centralizing leadership figure within the Academy and the local community. The Head of School will work closely with, and report directly to, the Board of Directors. The Head of School will tend to the issues that concern the Academy as a whole and will facilitate communication among the teachers, staff, families and Board.

Principal duties of the Head of School include but are not limited to:

- Recruit, guide and manage a high quality staff who are committed to the mission of COMPASS Academy.
- Develop and implement a curriculum, in collaboration with the faculty and within the guidelines of the Academy's mission.
- Set the tone and model the values of the Academy in interactions with students, families, staff, and the community.

- Set boundaries and communicate clear expectations about performance and behavior
- Articulate to prospective parents and the community the educational theory and practice of COMPASS' curriculum.
- Provide and support on-going professional development for faculty and staff.
- Keep the Board of Directors informed of issues related to the governance of the Academy.
- The Head of School will oversee the areas of finance, admissions, policies, and facility.

As COMPASS Academy transitions from a concept to a start-up school, the need for the Head of School to be in place immediately is crucial for curriculum development as well as a host of other key areas that will contribute to the Academy's success. Therefore, a Head of School has been named for the first three years of COMPASS Academy's existence. In the fourth year, the Board of Directors will evaluate the Head of School and determine if a change needs to be made. From that point forward, the Board of Directors will be responsible for establishing the requirements for hiring and firing the Head of School.

An educator in Aiken that has been teaching for over 30 years in both public and private schools has eagerly agreed to accept the position as Head of School. Her philosophy of education is "learner-centered" where classroom teaching is prized. She holds a Masters Degree in Education and in Divergent Learning from Columbia College. She was President of ACIRA for two years, Chairman of Teachers on the SCIRA state board, worked as a Master Teacher for the Aiken County School District, conducted staff development sessions and taught demonstration lessons for teachers, Teacher of the Year at East Aiken Elementary, Westinghouse Mini-Grant recipient, Who's Who among America's teachers, American Nuclear Society Superior Teaching in Mathematics and Science, and has won multiple awards for her teacher incentive programs and mentoring programs.

Administration:

The administration efforts at COMPASS Academy will encompass general office duties as well as a multitude of school-specific needs. The Administrator (s) will report directly to the Head of School.

Principal duties of the Academy's Administrator include but are not limited to:

- The Administrator will serve as the Business Manager for COMPASS Academy
- Assists the bookkeeper and Board Treasurer with financial issues and long term planning
- Applies for and maintains grants
- Assists in coordination and execution of fund-raising plans
- Ensures that the Academy is in compliance with all applicable laws and regulations
- Represents and explains the COMPASS Academy mission to prospective families
- Performs all administrative tasks necessary to achieve COMPASS Academy's objectives

Tracy Brooks will manage the administration duties of the Academy. Tracy has over 14 years' experience as an administrator. Tracy currently manages the office of Brooks Financial, Inc., a company she owns with her husband, Jay Brooks.

Strategy and Implementation:

January 2012

- Identify the niche
- Develop planning stages
- Write Business Plan

February 2012

- Form Planning Partners Committee
- Incorporate

March 2012

- Apply for Tax Exempt Status
- Begin securing initial funding and put a plan in place for ongoing fund raising
- Meet with Architects and builders to decide who will be involved in the design and building efforts
- Identify Faculty and Administration Requirements

May 2012

- Develop Website
- Set up mailing list to keep interested parents and donors in touch with progress
- Begin Interview Process for both Faculty and Administration
- Continue funding efforts
- Break ground and begin construction

October 2012

- Begin advertising for students
- Continue funding efforts

December 2012

- Open the school office
- Begin admissions interviews and tours
- Begin ordering all instructional materials
- Funds should be secured
- Finalize faculty contracts

July 2013

- Faculty Training
- Administration Training

August 2013

- School Starts and we are ready!

Admissions:

Few decisions will have the lasting impact in the life of your child as that of school choice. At COMPASS Academy, we believe that student life is important to a student's education. We believe that service is important as we teach students to look beyond themselves. As a result, we offer many ways that a student can be actively involved in the Aiken community and in the global community. Likewise, students should have a strong desire to be at COMPASS Academy and share our core values.

The first step in the admissions process is the application. This must be completed and submitted to the school together along with the \$50 non-refundable application fee. Once the application is reviewed, the first interview will be with the prospective student.

Students:

COMPASS Academy desires a student body made up of quality individuals who embrace diversity and strive for excellence. We need to know his/her core values, character, goals, ideas, and that he/she will share a mutual respect for both students and faculty. Because of our high standards, the prospective student needs to understand the zero tolerance policy. Under no circumstances will COMPASS Academy tolerate behavior that does not fall in line with our school-philosophy. The student must demonstrate a strong desire to enroll in COMPASS Academy. Once this interview is conducted and the Admissions Office has approved the student, a parent interview is scheduled.

Parents:

It is our belief that the best education can only be achieved when parents and teachers cooperate together to support and encourage students. As a result, parental involvement at COMPASS Academy is strongly encouraged. This is just one of many parent partnership topics that are discussed in the parent interview. Because each family dynamic is different, our admissions interviews may be multi-faceted. This provides us with the needed insight to ensure each student's success prior to enrollment.

Non-Discrimination Policy

COMPASS Academy admits students of any race, color, national and ethnic origin to all rights, privileges, programs and activities generally accorded or made available to students at the school. COMPASS Academy does not discriminate on the basis of race, color, or national and ethnic origin in administration of its educational policies, tuition assistance, athletic and other school-administered programs.

Curriculum

A curriculum of academically challenging lessons, paired with an array of comprehensive personal development classes, complemented by a unique understanding of a child's development needs... That's the hallmark of COMPASS Academy's curriculum.

The academic curriculum will revolve around the award winning Zaner-Blosser/Scholastic series to teach reading, writing and grammar skills. The S.T.E.M. curriculum will be used to teach Science, Technology, Engineering, and Mathematics. By federal definition, "S.T.E.M. is a program providing a strong emphasis in learning environments on hands-on, experiential, inquiry-based and learner-centered student experiences and activities, including engineering design processes."

"The Leader In Me" by Stephen Covey is the curriculum used for our leadership development classes such as Critical Thinking, Problem Solving, Economic Development, Money Management, Environmental Awareness, and mandatory Community Work Program which will teach and inspire our students to act with integrity and respect in all facets of life while preparing them to recognize the purpose for his/her life and strive to attain that goal.

Accreditation

COMPASS Academy is actively committed to accreditation with the following organizations:

- USGBC Certification, U.S. Building Council
- Palmetto Association of Independent Schools
- Carolinas Coalition for Private Education
- Southern Association of Independent Schools
- National Association of Independent Schools

Budget

Start Up Budget:

30 acre land parcel.....	\$300,000.00
First Year Building Needs.....	\$6,000,000.00
Professional Fees (architect, technology consultant, legal, etc.).....	\$500,000.00
Initial Furnishings (including media center and common areas).....	\$900,000.00
Landscape Maintenance.....	\$7200.00
Building Maintenance/Cleaning.....	\$14,400.00
Curriculum Materials.....	\$20,000.00
Classroom Supplies.....	\$200,000.00
(includes Smart Boards for each classroom, \$6,000 per unit)	
Administrative Supplies.....	\$7,500.00
(this takes into account three computers, desks, accounting software, and standard office supplies)	
Initial Phone System.....	\$900.00
Building Security System.....	\$1,500.00
Security Monitoring Service.....	\$900.00
Facility Insurance.....	\$10,000.00
Salaries.....	\$1,020,000.00
(this takes into account 26 teachers including specialty classes and 3 administrative staff in the first academic year; however, we need the Headmaster to be in place by December 2012)	
Employee Benefits (\$150 health contribution, 100% life, TIAA Cref match).....	\$85,376.00
Utilities.....	\$20,000.00
Promotion.....	\$15,500.00
(marketing campaign will include several newspaper articles and radio spots; other than that we will depend heavily on word of mouth)	

Total Start Up Cost: \$9,103,276

Debt Plan:

First Year Costs

Expenditures = \$1,168,076
Interest Payments = \$1,440,000 (Assumes an 8% rate on 9 Million borrowed with 2012 payments having been deferred)
Revenues = \$2,969,500
Donations = \$250,000
Cash = \$1,168,076
\$1,779,500 Overage

Expenditure Breakdown

Salaries:	\$1,020,000
Facility Ins.:	\$10,000
Employee Benefits:	\$85,376
Utilities:	\$20,000 not including telephone or internet
Telephone:	\$4,200
Technology:	\$6,000 includes internet
Landscape:	\$7,200
Building Maintenance:	\$14,400
Security Monitoring:	\$900

Revenue Breakdown

K-2 tuition = \$441,000
Grades 3-5 = \$486,000
Grades 6-7 = \$402,000
Grades 8-12 = \$1,350,000
390 students X \$650.00 facility fee = \$253,500.00
390 students X \$250.00 registration fee = \$97,500.00
390 students X \$50.00 application fee = \$19,500.00

(\$80,000 will be deducted from revenue projections based on 20% of student body receiving a 15% sibling discount)

Second Year Costs

Expenditures = \$1,168,076
Interest Payments = \$720,000 (Assumes an 8% rate on \$9 million borrowed)
Revenues = \$2,981,500
Donations = \$250,000
Cash = \$1,779,500
\$3,122,924 Overage

Expenditure Breakdown

Salaries:	\$1,020,000
Facility Ins.:	\$10,000
Employee Benefits:	\$85,376

Utilities:	\$20,000 not including telephone or internet
Telephone:	\$4200
Technology:	\$6000 includes internet
Landscape:	\$7200
Building Maintenance:	\$14,400
Security Monitoring:	\$900

Revenue Breakdown

K-2 tuition =	\$471,000
Grades 3-5 =	\$486,000
Grades 6-7 =	\$402,000
Grades 8-12 =	\$1,350,000
390 students X \$650.00 facility fee =	\$253,500
390 students X \$250.00 registration fee =	\$97,500
30 students X \$50.00 application fee =	\$1500

(\$80,000 will be deducted from revenue projections based on 20% of student body receiving a 15% sibling discount)

Third Year Costs

Expenditures =	\$1,168,076
Interest Payments =	\$720,000 (Assumes an 8% rate on \$9 million borrowed)
Revenues =	\$3,011,500
Donations =	\$250,000
Cash =	\$3,122,924
\$4,496,348 Overage	

Expenditure Breakdown

Salaries:	\$1,020,000
Facility Ins.:	\$10,000
Employee Benefits:	\$85,376
Utilities:	\$20,000 not including telephone or internet
Telephone:	\$4200
Technology:	\$6000 includes internet
Landscape:	\$7200
Building Maintenance:	\$14,400
Security Monitoring:	\$900

Revenue Breakdown

K-2 tuition =	\$501,000
Grades 3-5 =	\$486,000
Grades 6-7 =	\$402,000
Grades 8-12 =	\$1,350,000
390 students X \$650.00 facility fee =	\$253,500
390 students X \$250.00 registration fee =	\$97,500
30 students X \$50.00 application fee =	\$1500

(\$80,000 will be deducted from revenue projections based on 20% of student body receiving a 15% sibling discount)

Fourth Year Costs

Expenditures = \$1,168,076
Interest Payments = \$720,000 (Assumes an 8% rate on \$9 million borrowed)
Revenues = \$3,041,500
Donations = \$250,000
Cash = \$4,496,348
\$5,899,772 Overage

Expenditure Breakdown

Salaries:	\$1,020,000
Facility Ins.:	\$10,000
Employee Benefits:	\$85,376
Utilities:	\$20,000 not including telephone or internet
Telephone:	\$4200
Technology:	\$6000 includes internet
Landscape:	\$7200
Building Maintenance:	\$14,400
Security Monitoring:	\$900

Revenue Breakdown

K-2 tuition = \$531,000
Grades 3-5 = \$486,000
Grades 6-7 = \$402,000
Grades 8-12 = \$1,350,000
390 students X \$650.00 facility fee = \$253,500
390 students X \$250.00 registration fee = \$97,500
30 students X \$50.00 application fee = \$1500

(\$80,000 will be deducted from revenue projections based on 20% of student body receiving a 15% sibling discount)

Fifth Year Cost

Expenditures = \$1,168,076
Interest Payments = \$720,000 (Assumes an 8% rate on \$9 million borrowed)
Revenues = \$3,041,500
Donations = \$250,000
Cash = \$5,899,772
\$7,303,196 Overage

Expenditure Breakdown

Salaries:	\$1,020,000
Facility Ins.:	\$10,000

Employee Benefits:	\$85,376
Utilities:	\$20,000 not including telephone or internet
Telephone:	\$4200
Technology:	\$6000 includes internet
Landscape:	\$7200
Building Maintenance:	\$14,400
Security Monitoring:	\$900

Revenue Breakdown

K-2 tuition = \$531,000
 Grades 3-5 = \$486,000
 Grades 6-7 = \$402,000
 Grades 8-12 = \$1,350,000
 390 students X \$650.00 facility fee = \$253,500
 390 students X \$250.00 registration fee = \$97,500
 30 students X \$50.00 application fee = \$1500

(\$80,000 will be deducted from revenue projections based on 20% of student body receiving a 15% sibling discount)

Sixth Year Costs

Expenditures = \$1,168,076
 Interest Payments = \$720,000 (Assumes an 8% rate on 9 Million borrowed)
 Revenues = \$3,041,500
 Donations = \$250,000
Cash = \$7,303,196
\$8,706,620 Overage

Expenditure Breakdown

Salaries:	\$1,020,000
Facility Ins.:	\$10,000
Employee Benefits:	\$85,376
Utilities:	\$20,000 not including telephone or internet
Telephone:	\$4200
Technology:	\$6000 includes internet
Landscape:	\$7200
Building Maintenance:	\$14,400
Security Monitoring:	\$900

Revenue Breakdown

K-2 tuition = \$531,000
 Grades 3-5 = \$486,000
 Grades 6-7 = \$402,000
 Grades 8-12 = \$1,350,000
 390 students X \$650.00 facility fee = \$253,500
 390 students X \$250.00 registration fee = \$97,500
 30 students X \$50.00 application fee = \$1500

Operating Budget:

Please see the "Debt Plan" beginning on page 11. The tuition schedule will be able to support the operating budget completely. All capital improvements will be supported by the "Heritage Campaign".

Tuition Schedule:

One time Application Fee.....	\$50.00
Annual Facility Fee.....	\$650.00
* Annual Registration Fee.....	\$250.00
Grades 5K-2 nd	\$4,900.00/year (\$408.00/mo.)
Grades 3 rd -5 th	\$5,400.00/year (\$450.00/mo.)
Grades 6 th -7 th	\$6,700.00/year (\$558.33/mo.)
Grades 8 th -12 th	not applicable until 2014, see below

Sibling Discount will be offered at a rate of 15% discount per additional child
(Please see "Comparable School Tuition" on page 15)

All families to enroll a child in COMPASS Academy's first academic year will have the benefit of being grandfathered into this tuition schedule for as long as they are with the school, regardless of the number of children per family.

Special note about Tuition Costs

As a thank you to parents for enrolling his/her child in COMPASS Academy the first year, the tuition rates have been lowered. The lowered rates are what this business plan reflects. This is a win/win because the "founding" students will be locked into the founding rates for the lifetime of their enrollment.

As of the 2014 school year, the tuition rates will increase to the following:

Grades 5K-2 nd	\$5,900.00 per year
Grades 3 rd -5 th	\$6,800.00 per year
Grades 6 th -7 th	\$7,100.00 per year
Grades 8 th -12 th	\$9,800.00 per year

Financial Management Goals:

- The Academy will strive to obtain a well-established budget making process
- The Academy's accounting system will be adequate for its budget
- There will be an annual audit performed by at least three Board Members
- The Academy will have a clear cut plan for retiring any acquired debt
- The financial resources will be adequate to sustain the Academy
- COMPASS Academy will engage in long-term financial planning

Heritage Campaign

The Heritage Campaign is an annual campaign that will provide for 100% of our fundraising efforts. Over the next 20 months, the Heritage Campaign will support the start-up budget for COMPASS Academy. It is our goal that the operating budget will be covered through student tuition as of September 2013. However, we will rely on tax-deductible charitable contributions over and above tuition to sustain and enhance our programs and facilities. At COMPASS Academy, we will be intentional about the way we raise funds and will be careful in our stewardship of the funds we raise.

While COMPASS Academy has demonstrated great vision, it is time for the Heritage Campaign of 2012 to begin. Our school will be "Different by Design" and therefore will not qualify for federal or state monies. We need community leaders to stand up and share in our vision. Accomplishing a large task requires maximum participation. Our children need us to stand up and lead in this great effort.

Another facet to the Heritage Campaign is the "Gifted Education" program. This program allows members of the community to anonymously sponsor a child's education. The gift can be an annual gift to cover that year's tuition cost or multiple gifts. However, the giver may not dictate who receives the gift. Likewise, the recipient will not know the name of the giver. This program will enable a child who is the model COMPASS student to have the opportunities that his/her parents aren't able to financially support. In order for a child to qualify for a "Gifted Education", an analysis of his/her family finances will be completed.

Requirements to Start a School:

- Must have at least 5 students over the age of 6yrs.
- Incorporate and file for Non Profit Status with the IRS
- Submit a "Notice of Intent" to operate a school to the state
- Submit the Statistical form to the state
- Written Rules & Regulations by which the school will operate
- Must have Enrollment Goals (see below)
- Must have Budget Goals
- Fire Inspection of the facility
- Health Inspection of the facility

How are we "Different By Design"?

COMPASS Academy educates its students to become well-rounded individuals capable of bringing purpose and direction to their lives, ready to think on their own, stand for themselves, and act with empathy toward others.

COMPASS Academy is a product of the community working together to foster our leaders of tomorrow. The community will govern the school, COMPASS Academy students will support the community, and the community will support COMPASS Academy.

Specialty programs such as Critical Thinking, Economic Development, Money Management, Environmental Awareness, and Community Work Program will teach and inspire our students to act with integrity and respect in all facets of life.

We will expect the faculty to model excellence for our students while challenging them to pursue excellence in all areas of their lives.

COMPASS Academy's character curriculum is based on Stephen Covey's program "The Leader In Me". This is also the program that Rick Santorum is supporting in his campaign.

COMPASS Academy will focus on the uniqueness of each student and celebrates his/her strengths.

COMPASS Academy will have accountability partners throughout the community.

Our admissions process begins and ends with focus on the prospective student.

Through our "Gifted Education" program, children of all financial backgrounds are able to have the opportunity to attend COMPASS Academy.

What Does COMPASS Academy need from the Planning Partners?

- Generate Community Support
- Funds to move forward according to the start up budget and a plan to generate the funds needed by December 2012
- Contracts written for teachers, students, and faculty
- Governing By Laws created
- Website Design
- An Endowment Fund for the school set up
- Clear Rules & Regulations written and approved
- Clear behavior guidelines written and approved
- Promotion and Advertising to the community
- Insurance Guidance
- A commitment to guide and support COMPASS Academy in all facets necessary
- Much, Much More along the way!

Comparable Area Schools:

Aiken Preparatory School

Student Body.....	149
Grades.....	3k-12
Fees: One time facility fee.....	\$500.00
Annual Resource fee.....	\$650.00
One time Application fee.....	\$50.00
Graduating tuition schedule:	
Full day preschool thru 5K.....	\$7,800.00
Grades 1-5.....	\$9,700.00
Grades 5-8.....	\$10,900.00
Grades 9-12.....	\$12,700.00

Mead Hall Episcopal School

Student Body.....	391
Grades.....	3k-8
Fees: Registration Fee.....	\$250.00
Application Fee.....	\$50.00
Graduating tuition schedule:	
Full day preschool thru 8.....	\$4,700 - \$6,800
(not sure of breakdown per grade, not disclosed)	

St. Mary's Christian School

Student Body (as of 2009).....	297
Grades.....	5k-8
Fees: Registration Fee.....	\$350.00
Application Fee.....	\$100.00
Tuition Schedule is the same for all grades; however, varies on the following:	
Church Members.....	\$4,435.00
Non-Church Members.....	\$6,355.00