

STATE OF SOUTH CAROLINA )  
 )  
COUNTY OF RICHLAND )

IN THE COURT OF COMMON PLEAS  
FOR THE FIFTH JUDICIAL CIRCUIT  
2013-CP-40-01316

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. )

**ORDER AUTHORIZING  
THE APPOINTMENT OF A  
RECEIVER**

RICHLAND COUNTY  
FILED  
2013 APR 22 AM 11:17  
JEANETTE W. McBRIDE  
C.C.P. & G.S.

This matter came before the Court via a request of the parties for the appointment of a receiver in the above matter. After consideration of the request and the materials filed in connection with this action, I hereby find and conclude as follows:

1. This Court has jurisdiction over the parties and the subject matter of this action, and venue is proper.
2. The parties' request in this matter was made pursuant to the South Carolina Securities Act, more particularly S.C. CODE ANN. § 35-1-603, which provides, in pertinent part:

(a) If the Securities Commissioner believes that a person has engaged, is engaging, or is about to engage in an act, practice, or course of business constituting a violation of this chapter or a rule adopted or order issued under this chapter or that a person has, is, or is about to engage in an act, practice, or course of business that materially aids a violation of this chapter or a rule adopted or order issued under this chapter, the Securities Commissioner may maintain an action in the Richland County Court of Common Pleas to enjoin the act, practice, or course of business and to enforce compliance with this chapter or a rule adopted or order issued under this chapter.

(b) In an action under this section and on a proper showing, the court may:

(1) issue a permanent or temporary injunction, restraining order, or declaratory judgment;

(2) order other appropriate or ancillary relief, which may include:

(A) an asset freeze, an accounting, writ of attachment, writ of general or specific execution, and appointment of a receiver or conservator, that may be the Securities Commissioner, for the defendant's assets; . . .

3. I find that a receiver is necessary for the protection of assets and property acquired with investor funds ("Property") and that a proper showing that all Property should be placed into receivership has been made.

4. Accordingly, based upon the foregoing and the laws of the State of South Carolina, this Court finds that sufficient grounds exist for all of the requested relief in this matter.

IT IS THEREFORE ORDERED, DECREED and ADJUDGED THAT a receiver shall be appointed and the scope of such receiver's authority shall be set forth as follows:

1. Receiver. All Property is hereby placed in receivership and shall be turned over to a receiver to be named later by this Court (the "Receiver").

2. Receivership. Within fifteen (15) business days from the date of the order naming the Receiver, the Receiver shall file with the Court verification of bond, with surety, in the amount of Twenty-Five Thousand and No/100 (\$25,000.00) Dollars, conditioned upon the faithful performance by the Receiver of the duties set forth in this Order and such supplemental orders as may hereafter be issued. In addition to reimbursement of any and all expenses incurred in connection with the administration of the Property, including the expense of the bond, compensation to the Receiver will be as approved by the Court.

3. Restraint. The Defendants (and any of their agents, representatives, employees, and those persons in active concert with them who receive actual notice of this Order) and all interested

persons (the “Restrained Parties”) are restrained from disposing of, transferring, conveying, or otherwise encumbering the Property or books, files, records and accounts relating to the Property, and they and all other persons having Property in their possession or under their control are hereby directed to deliver the same to the Receiver.

4. Cooperation. The Restrained Parties are hereby ordered to cooperate with the Receiver and appear at such location as identified by the Receiver, at such times as may be required to sign such legal documents as may be necessary and to furnish such records as the Receiver may require. Failure of the Restrained Parties to cooperate with the Receiver or otherwise comply with terms of this order may subject the Restrained Parties to being held in contempt of court upon application by the Receiver or her attorneys. The Restrained Parties are hereby ordered to cooperate with the Receiver at all times during the pendency of this receivership.

5. Rents. The Restrained Parties, their respective agents and employees, and any other person receiving actual notice of the terms of this Order are hereby ordered and directed to immediately collect and pay to the Receiver all of the rents, issues and profits (both current and prepaid) from the Property in any such person’s possession as of the date of this Order, regardless of when collected, pending adjudication of the parties’ rights thereto and subject to such other orders of this Court as may be subsequently entered. In addition, the Restrained Parties shall execute any and all documents necessary to substitute the Receiver for the current signatories on all of the bank accounts relating to the Property of any Restrained Party. The Receiver shall provide immediate notice to each tenant having a lease for any portion of the Property to direct all future rental payments to the Receiver. The Restrained Parties are directed to execute these letters of direction to each of any underlying tenants upon request of the Receiver.

6. Inventory and Reports. The Receiver shall prepare and deliver to the undersigned Judge within thirty (30) days from the date of Receiver's appointment a full and detailed inventory, under oath, of all the Property, assets and effects of every kind which come into her possession and thereafter she shall prepare and deliver to the undersigned Judge on or before the 10th day of each third month thereafter a full and complete report, under oath, reporting all activities and changes in the Receivership estate and all claims against the estate that have arisen or have occurred during the period covered by the report.

a. Financial Investigation and Analysis. Conducting an investigation into the feasibility of completing the construction of Compass Academy and beginning classes for the 2013-2014 school year is to be a high priority of the Receiver. Therefore, the Receiver shall expeditiously perform a financial investigation and analysis relating to the construction and operation of Compass Academy. Specifically, the Receiver is charged with determining the feasibility of completing the construction of Compass Academy and beginning classes for the 2013-2014 school year. In making this determination, the Receiver may consider, among other things:

- a. The cost paid to date for Compass Academy, including but not limited to land acquisition costs, construction costs, professional fees (architect, technology consultant, legal, etc.), and any other costs associated with the construction, start-up, or operation of Compass Academy that have been paid to date;
- b. The source(s) of the funds identified in paragraph 6(a) above;

- c. The estimated remaining cost to complete the construction and upfitting of Compass Academy so that Compass Academy is physically ready to open and begin classes for the academic school year 2013-2014. This cost may include, among other things, the following particulars:
  - i. Construction costs, including landscaping;
  - ii. Professional fees (architect, technology consultant, legal, etc.);
  - iii. Initial furnishings;
  - iv. Curriculum materials;
  - v. Classroom supplies;
  - vi. Administrative supplies;
  - vii. Phone system;
  - viii. Security system and monitoring service;
  - ix. Insurance;
  - x. Promotion and advertising; and/or
  - xi. Any other costs determined by the Receiver to be necessary in order to complete the construction and upfitting of Compass Academy.
  
- d. The estimated time necessary to complete the construction and upfitting of Compass Academy so that Compass Academy is physically ready to open and begin classes.
  
- e. The estimated yearly operational costs of Compass Academy which may include, but not be limited to:
  - i. Teacher and staff salaries;

- ii. Employee benefits;
  - iii. Utilities;
  - iv. Insurance;
  - v. Taxes;
  - vi. Administrative supplies;
  - vii. Classroom supplies;
  - viii. Building maintenance/cleaning;
  - ix. Curriculum materials;
  - x. Promotion and advertising; and/or
  - xi. Any other costs determined by the Receiver to be necessary in the yearly operation of Compass Academy.
- f. The estimated projected revenues to be derived from student tuition and projected student enrollment.

The Receiver shall report to the Court her conclusion reached pursuant to this paragraph.

7. Possession of Property. The Receiver shall take and have exclusive control, possession and custody of all the property, monies, contracts, leases, insurance policies, assets, files, papers, keys, accounts receivable, records, documents, licenses, permits, monies, securities, choses in action, books of account, bank accounts and all other property, real, personal, or mixed, which relate to the Property, and shall retain custody of the same until further order of this Court. Restrained Parties and any and all other persons or corporations now or hereafter in possession of the Property, or any part thereof, or any other of the items entrusted to the Receiver as set forth herein, shall forthwith surrender such possession to the Receiver, upon request of the Receiver.

8. Financial Institutions. Any financial or brokerage institution, business entity, or person served with this Order that holds, controls, or maintains custody of any account or asset related to the Property, or has held, controlled or maintained custody of any such account or asset at any time since the date of entry of this Order shall provide the Receiver with information and records concerning any such account and deny the Restrained Parties access to any account or safe deposit box to which the Restrained Party would otherwise have access.

9. Operating Account. The Receiver shall establish and/or maintain, at a banking or savings and loan institution located in South Carolina whose deposits are insured by the FDIC or the FSLIC, a separate operating account ("the Operating Account") into which the Receiver shall deposit all receipts from the Property and from which the Receiver shall disburse regularly and punctually (to the extent available), all amounts due and payable as are reasonable, necessary and proper operating expenses of the Property, subject to the terms of this Order. No other disbursements shall be made without prior order of the Court.

10. Costs. The Receiver is hereby authorized, empowered and directed to pay from the Operating Account all reasonable expenses necessary for the preservation of the Property, including, but not limited to, the costs of all labor, insurance, equipment, supplies, inventory, water, sewer, trash and garbage disposal, electricity, security and telephone expenses which are necessary to the operation and preservation of the Property, together with any expenditure authorized by the Court.

11. Operation. The Receiver is hereby authorized, empowered and directed to contract with such individuals and entities as may be necessary to preserve, protect, supervise, operate and manage the Property. The Receiver shall use her best efforts to operate the Property profitably, and to maintain the Property in accordance with customary standards for a business of its type.

The Receiver may review the terms of all outstanding contracts and agreements for suppliers of goods and services to, and insurers of, the Property, and renew, modify or cancel any such agreements as it deems advisable, or enter into new or replacement contracts for the provision of goods, services and insurance.

12. Leasing. The Receiver shall have the authority to lease, modify leases, cancel leases, rent or otherwise seek compensation for space at any of the Property in the ordinary course of business, at such rates and on such terms as are customary in the business, provided that the Court approves each such rental or lease agreement.

13. Collection of Rents and Profits. The Receiver is hereby authorized, empowered and directed to enforce and collect all debts, accounts receivable, rents or other obligations due and owing to or from the operation of or relating to the Property.

14. Foreign Asset Repatriation. Each Restrained Party will:

A. As to the Property, provide the Receiver with a full accounting of all funds, documents, and assets outside the State of South Carolina, including those located outside of the United States that are: (1) titled in the name, individually or jointly, of any Restrained Party or the spouse of any Restrained Party; or (2) held by any person or entity for the benefit of any Restrained Party; or (3) under the direct or indirect control, whether jointly or singly, of any Restrained Party;

B. As to the Property, transfer to the territory of the State of South Carolina and deliver to the Receiver all funds, documents, and assets located outside the State of South Carolina, including those located outside of the United States that are: (1) titled in the name, individually or jointly, of any Restrained Party or the spouse of any Restrained Party; or (2) held



by any person or entity for the benefit of any Restrained Party; or (3) under the direct or indirect control, whether jointly or singly, of any Restrained Party; and

C. As to the Property, provide the Receiver with access to all records or accounts or assets of the Restrained Parties held by financial institutions located outside of the State of South Carolina, including those located outside of the territorial United States by signing an appropriate consent to release financial records as may be provided by the Receiver.

The Restrained Parties, and those persons in active concert or participation with them who receive actual notice of this Order, are hereby restrained from taking any action, directly or indirectly, which may result in the encumbrance or dissipation of the Property, or in the hindrance of the repatriation required under this Order, including without limitation: (A) sending any statement, letter, e-mail, fax, wire transmission, or engaging in any other act, directly or indirectly, that results in a determination by a foreign trustee or other entity that a "duress" event has occurred under the terms of a foreign trust agreement until such time as all the assets have been fully repatriated; and (B) notifying any trustee, protector, or other agent of any foreign trust or other related entities of either the existence of this Order, or of the fact that repatriation is required pursuant to Court Order, until such time that all assets have been fully repatriated.

15. Insurance. The Receiver is hereby authorized, empowered and directed to maintain all policies of insurance or similar contracts affecting the Property in full force and effect, and if none exists, to insure the Property for its current fair market value against personal injury, property damage and liability claims. The Receiver shall maintain or purchase appropriate property insurance for the Property, public liability insurance, workmen's compensation insurance, fire and extended coverage insurance, and burglary and theft insurance. The Receiver shall be listed as an insured and a loss payee on all such insurance policies. The Receiver shall

promptly investigate and provide to the Court a full, prompt written report as to all serious and material accidents, claims for damage relating to the ownership, operation and maintenance of the Property, and any damage or destruction to the Property and the estimated cost of repair thereof, and shall prepare any and all reports required by any insurance company in connection therewith. All existing insurance coverage purchased by any Restrained Party or by any other person, which is now in force for the protection of the Property, is hereby assigned to the Receiver.

16. Actions Against Receiver. All persons, funds, corporations, associations and all other parties are hereby enjoined and restrained from commencing, maintaining, or otherwise prosecuting any action at law or in equity against the Receiver without prior leave of this Court.

17. Default. Entry of this Order shall not constitute a breach or default of any contract relating to the Property unless the Receiver expressly cancels such contract.

18. Employment of Professionals. The Receiver may, with the consent of the Plaintiff, employ attorneys, accountants, or other professionals reasonably required to discharge its duties herein and shall, if necessary, apply to this Court for instructions and advice if in doubt concerning its rights and responsibilities as Receiver.

19. Listing of Property. The Receiver is authorized to market and list the Property for sale and pursue the marketing of the Property; however, the Receiver may not convey, transfer, sell, pledge or encumber the Property, or any portion thereof, without prior leave of this Court after notice to all parties and a hearing.

20. Other Tasks. The Receiver is hereby authorized, empowered, and directed to perform all other tasks reasonably necessary for the proper administration, conservation, maintenance, security and protection of the Property.

21. Fees. At the end of each quarterly period, the Receiver shall present, to the Court, an invoice for services rendered to the Receivership. The Receiver shall seek an order approving and directing any payment of fees to the Receiver. The compensation of the Receiver shall be at the discretion of the Court and shall be set by the Court upon further order.

22. Legal Actions. The Receiver is hereby authorized, empowered and directed to sue or defend any legal action or otherwise compromise or settle same upon application to and approval by the Court. The Court shall designate the powers of the Receiver relating to any legal action. The Receiver is authorized to issue subpoenas and conduct discovery pertaining to the receivership on behalf of the receivership estate.

23. Use and Maintenance of Property. The Receiver shall not permit the use of the Property for any purpose which will or might void any required policy of insurance, which might render any loss thereunder uncollectible, or which would be in violation of any law or government restriction.

24. Records. The Receiver shall maintain a comprehensive system of office records, books, and accounts concerning the operation of the Property. At all reasonable times, Plaintiff, Defendants, and their respective agents and other representatives shall have reasonable access to such records, accounts and books and to all vouchers, files, and all other material pertaining to the operation of the Property, all of which the Receiver agrees to keep safe, available and separate from any records not having to do with the operation of the Property.

25. Legal Requirements. The Receiver shall ensure that all aspects of the Property, and its operation and management, comply with any and all laws, regulations, orders or requirements affecting the Property issued by any federal, state, county or municipal authority having jurisdiction over the Property.

26. Employment of Agents. The Receiver is hereby authorized to employ agents, servants and employees and to contract as necessary for the purpose of renting, operating, managing, preserving, protecting, and taking possession of the Property, and carrying out the terms of this Order.

27. Licenses. All existing licenses relating to the operation of the Property issued in the name of any of the Restrained Parties are hereby assigned to the Receiver.

28. Liquidation. The Receiver may request this Court for authority to liquidate any Property and any requirements, processes, or procedures applicable to such liquidation will be provided in a separate or supplemental order of this Court.

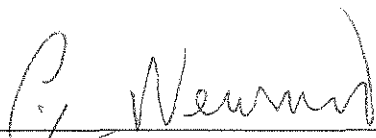
29. Termination of Receivership. Any party may apply to the Court for entry of an order terminating the Receivership, discharging the Receiver, and for such other order as may be appropriate to carry out the terms of the Receivership.

30. Retention of Jurisdiction. The Court retains jurisdiction of this matter to enter such further orders as may be just and proper.

31. Sheriff's Assistance. The Receiver is authorized and empowered to obtain the assistance of the Sheriff's Department (or other law enforcement entities) of the counties and municipalities of this State in performing those duties and responsibilities enumerated herein.

IT IS FURTHER ORDERED that any person interested and qualified to be appointed receiver shall file a notarized statement indicating that she has read the duties set forth in this Order; that she has no conflicts of interest and she is ready, willing and able to execute the duties of the receiver set forth in this Order. This notarized statement shall be filed with the Court prior to the appointment of any person as receiver.

AND IT IS SO ORDERED.

  
\_\_\_\_\_  
Presiding Judge  
Fifth Judicial Circuit

Columbia, South Carolina  
April 18, 2013