

4. Defendant CA Jones Management Group, LLC (“Management”) is a Tennessee limited liability company with its principal place of business in Murray, Calloway County, Kentucky.

5. Defendant Integrated Computer Solutions, Inc. (“ICS”) is a Kentucky corporation with its principal place of business located in Murray, Calloway County, Kentucky.

6. Defendant Blackrock Investments, LLC (“BRI”) is a Kentucky limited liability company with its principal place of business located in Murray, Calloway County, Kentucky.

7. Defendant SE Book Company, LLC (“SEB”) is a Kentucky limited liability company with its principal place of business in Murray, Calloway County, Kentucky.

8. Defendant College Book Rental Company, LLC (“CBR”) is a Wyoming limited liability company with its principal place of business in Murray, Calloway County, Kentucky.

9. ICS, BRI, SEB and CBR shall be referred to herein collectively as the “Companies.”

10. All Defendants reside in and a substantial part of the events and omissions occurred in the Paducah jury division.

JURISDICTION AND VENUE

11. This Court has subject matter jurisdiction pursuant to 28 U.S.C. § 1331 because Plaintiff seeks remedies under the Securities and Exchange Act of 1934 (15 U.S.C. § 78j) and Rule 10b-5 (17 C.F.R. § 240.10b-5). The Court has supplemental jurisdiction over the remaining claims, pursuant to 28 U.S.C. § 1367, because the state law claims relate to the federal law claims and form the same case and controversy.

12. Venue is proper in this Court, pursuant to 28 U.S.C. § 1391, because a substantial part of the events or omissions giving rise to the claim occurred in this District, and Defendants all reside in Kentucky.

FACTUAL ALLEGATIONS

A. The Jones Companies.

13. C. Jones is a self-described “visionary entrepreneur.” C. Jones opened ICS in 1993 to provide “efficient, secure and reliable solutions to understaffed [information technology] departments in schools throughout Southeast Missouri and Western Tennessee.”

14. C. Jones approached Griffin in early 2008 about investing in several computer and technology companies in which C. Jones held an interest. After making smaller investments in two such companies, Griffin purchased 50% of the outstanding shares of ICS for \$2 million from a third-party introduced to Griffin by C. Jones. As a result of that purchase, C. Jones and Griffin each owned 50% of the outstanding shares of ICS. Pursuant to the ICS Bylaws, C. Jones and Griffin both had to agree to permit ICS officers to enter into contracts on ICS’s behalf. At all material times, S. Jones has served as an officer of ICS.

15. In March 2008, C. Jones formed BRI and acted as its controlling member. To obtain a membership interest in BRI, Griffin invested \$100,000 at C. Jones’s invitation to form a company that would acquire a textbook business from another Murray, Kentucky company for resale at a profit. BRI has two members, C. Jones and Griffin, each holding a 50% interest in BRI. C. Jones purportedly also invested \$100,000 in BRI. In May 2008, BRI formed SEB as a member-managed limited liability company to acquire the textbook company. Initially, SEB was wholly owned and managed by its sole member, BRI.

16. In June 2008, C. Jones formed Management. Management holds itself out as a large conglomerate of successful businesses and a “private equity firm.” Management’s website identifies SEB and CBR as Management’s “divisions” and suggests that Management also owns ICS. In reality, Management has no ownership interest in ICS, SEB or CBR, but rather is a third-party contractor for the purpose of providing defined management services.

17. In July 2008, C. Jones, acting as controlling member of BRI, which was the sole member of SEB, amended SEB’s Operating Agreement to add ICS as an 8% member of SEB. Under SEB’s Amended Operating Agreement, SEB remained member-managed by BRI and also ICS. Also in July 2008, Griffin, as a member of BRI, agreed to make additional investments in BRI and/or SEB in the form of lines of credit and otherwise upon representations by C. Jones that such investments in BRI and/or SEB would make those companies grow and make Griffin’s initial investments in ICS and BRI more valuable.

18. Griffin understood that C. Jones’s loyalty was devoted to SEB and not other companies in which C. Jones and/or S. Jones held an interest.

19. With Griffin committed financially to those companies by late 2008, C. Jones realized the potential for how lucrative the businesses could be for him if he had complete control and the ability to cause Griffin to provide even more money to make the businesses more valuable. C. Jones took control of the operations of ICS, BRI and SEB soon thereafter.

B. Jones Utilizes the Network of Companies for His Excessive Personal Gain.

20. In late 2008, C. Jones began to take steps to maximize his financial gain to the detriment of Griffin. Specifically, in December 2008, C. Jones proposed a resolution for BRI that would hire Management to provide management services backdated to be effective July 1, 2008. As part of that resolution, C. Jones also changed BRI from being member-management to

being manager-managed, inserted Management as BRI's manager and proposed changes to the BRI operating agreement that effectively removed any ability of Griffin to call member meetings or obtain information about BRI, including companies it owned. In February 2009, C. Jones filed papers with the Kentucky Secretary of State, converting SEB from being member-managed to being manager-managed, with Management serving as the manager.

21. Upon information and belief, C. Jones executed agreements on behalf of SEB and ICS that caused those companies to hire Management effective July 1, 2008, without providing to Griffin full and complete disclosure of all relevant terms. C. Jones signed on behalf of both Management and BRI, ICS and SEB, respectively. Through those agreements, BRI, SEB and ICS would pay Management \$24,000, \$2.7 million, and \$600,000 per year, respectively, in "management fees" and reimburse Management for all expenses. To his knowledge, Griffin has never been provided an agreement for management services executed by Management and CBR, but recently discovered that CBR has paid significant "management fees" to Management since 2009. C. Jones did not disclose, and has not disclosed, all the material terms of the contracts with Management, nor has he accounted to Griffin how the "management fees" were allocated.

22. After C. Jones and/or S. Jones took control over the operations of ICS, BRI and SEB through Management, C. Jones and S. Jones recklessly channeled millions of dollars from the Companies to either Management or for their own purposes. In 2010, ICS and SEB paid to Management a combined \$5 million in "management fees"; in 2011, those combined fees were \$4.56 million. Those "management fee" payments did not include expenses incurred on behalf of SEB and ICS, which would have been reimbursed to Management separately. The management contracts required Management to provide to each of the Companies an "itemized statement" of expenses for reimbursement. Upon information and belief, Management did not

provide such statements showing the allocation between direct payroll costs and other “management fees”, and Griffin has never seen such statements.

23. C. Jones established CBR as a manager-managed company in March 2009, at which time Management became CBR’s manager. CBR was to be a “sister” company to SEB engaged in the business of textbook rentals. ICS has an 8% membership interest in CBR; BRI has a 92% interest in CBR. Management has served as manager for CBR since 2009. Based on the initial representations of C. Jones about CBR’s expected growing revenues and, then later, about CBR’s constantly improving financial viability, Griffin in his capacity as a member of BRI invested \$1,690,903, \$5,476,885 and \$10,363,000 in CBR in 2009, 2010 and 2011, respectively.

24. With the addition of CBR in March 2009, C. Jones had a system in place to defraud Griffin into making increasing investments into the Companies — money that Management, C. Jones and S. Jones moved around their various companies and used for their own purposes to Griffin’s detriment — on the assurance that additional investments would make Griffin’s initial investments more valuable as the companies grew and/or until sold.

25. Since April 2009, the Companies have routinely been unable to pay operating expenses. When faced with an operational shortfall, Management and/or C. Jones asked Griffin to invest money into the Companies to cover those expenses while making assurances that revenues and the Companies’ values were increasing, but concealing the significant sums being transferred to Management and used for the Joneses’ personal gain.

26. In October 2009, C. Jones hired Commonwealth Economics to evaluate the companies and make recommendations on improving profitability. Commonwealth Economics concluded that the Companies’ expenses were too high and made recommendations to decrease expenses. C. Jones and Management failed to follow those recommendations.

27. Since 2009, Management has steadily increased the management fees it pays itself out of BRI, SEB and CBR funds. In 2009, SEB paid Management almost \$2.4 million in “management fees,” which exceeded SEB’s net income before interest and tax (“EBIT”). Similarly, in 2009, ICS paid over \$575,000 to Management in “management fees,” which exceeded ICS’s business income and EBIT.

28. During 2010, Management caused SEB to pay over \$4.3 million in “management fees” to Management, which far exceeded SEB’s net income and EBIT. Management also caused SEB to make over \$143,000 in “charitable contributions” in the Joneses’ name. Management, C. Jones and S. Jones did not inform Griffin of those payments or donations by SEB.

29. By the end of 2010, CBR was operating at a net loss of approximately \$1.8 million. During that same year, Management paid itself almost \$2.3 million in “management fees” out of CBR funds, which exceeded CBR’s EBIT. Management also made paid over \$203,000 to First United Methodist Church in August 2010 and purchased over \$282,000 in “computer” equipment from ICS. Management, C. Jones and S. Jones did not inform Griffin of those payments by CBR.

30. Also by December 2010, C. Jones requested that Griffin invest an additional \$10 million into the Companies. Having already invested over \$20 million to increase the value of SEB and CBR, Griffin had concerns about the financial viability of the Companies. Commonwealth Economics again provided specific recommendations to C. Jones and Management about ways to increase the profits of the Companies in a manner that would repay to Griffin by 2012 all of the previous amounts he had invested in the Companies and repay the

additional \$10 million C. Jones was requesting from Griffin. One of the recommendations involved reduction of the Companies' expenses, including the fees it paid to Management.

31. Soon thereafter, C. Jones and Management represented that they would cause the Companies to follow the recommendations of Commonwealth Economics in order to repay Griffin all amounts he invested in the Companies by 2012. Based on that agreement, Griffin invested another \$9,353,000 in CBR and SEB during the first six months of 2011. Instead of acting pursuant to those representations, C. Jones and Management increased the money that flowed out of the Companies to Management, which, based on the timing of such increases, was C. Jones's plan when he made the above representations to Griffin.

32. By the end of its 2011 fiscal year, CBR was operating at a net loss of over \$3.5 million and owed Griffin millions of dollars. During that same year, Management paid itself over \$5.7 million in "management fees" out of CBR funds. In 2011, CBR had a net loss of \$6,525,019. Management also committed CBR to purchase over \$90,000 in "computer equipment" from ICS.

33. Even though C. Jones had agreed to follow the Commonwealth Economics model for CBR in 2011 that limited "charitable contributions" to \$152,752, Management caused CBR to donate over \$485,000 to various charities and civic organizations. Those donations included \$150,000 to the Murray Independent School District, part of which was to be used to build the "Chuck and Sarah Jones Tennis and Track Complex" at Murray High School. Management also caused CBR to donate \$40,000 to United Way in January 2011. In 2011, Management caused over \$96,000 in "rent" to be paid by CBR to CIK Capital, LLC, another company in which C. Jones has an ownership interest. That "rent" reflected a 75% increase in the "rent" from the

amount paid in 2010. Management, C. Jones and S. Jones did not inform Griffin of those payments and donations by CBR.

34. In addition to the investments in the Companies, C. Jones has induced Griffin to guarantee in excess of \$15 million of bank and/or trade debt of the Companies.

COUNT ONE
(Appointment of a Receiver)
Against ICS, BRI, SEB, CBR and Management

35. Griffin incorporates by reference the foregoing allegations as if set forth in full.

36. As a shareholder of ICS and a direct member of BRI, Griffin has an ownership interest in each of those companies.

37. Through his ownership interest in ICS and BRI, Griffin has an ownership interest in SEB and CBR.

38. As a lender, Griffin has an interest in the property of ICS, BRI, SEB and CBR.

39. Due to Management's breach of its fiduciary duties to ICS, BRI, SEB and CBR and misappropriation of the assets and funds of those companies, Griffin has a right to a lien upon the property, assets and funds of Management.

40. With C. Jones, S. Jones and Management in complete control over the Companies, a danger exists that the property and funds of the companies will be lost, removed or materially injured.

41. Because of that danger, Griffin is entitled to the appointment of a Receiver to take charge of all assets, funds and property of ICS, BRI, SEB, CBR and Management.

COUNT TWO
(Securities Fraud - Violation of 15 U.S.C. § 78j)
Against C. Jones, S. Jones and Management

42. Griffin incorporates by reference the foregoing allegations as if set forth in full.

43. As more particularly set forth above, from 2008 through the present, C. Jones, S. Jones and Management, in the offer and sale of securities, by the use of the means and instruments of transportation and communication in interstate commerce or by the use of the mails, directly and indirectly, have employed and are employing devices, schemes and artifices with the intention to defraud Griffin.

44. The investments Griffin made to the Companies are securities, pursuant to 15 U.S.C. §§ 77b(a)(1) & 77c(a)(10), and each were made specifically in reliance on material misrepresentations and omissions by C. Jones, S. Jones and/or Management.

45. Based on information later made available to Griffin regarding the details of the arrangements between the Companies and Management, as well as the historically poor performance of certain of the Companies, C. Jones, S. Jones and Management knew or were reckless in not knowing of the activities described above.

46. As more particularly described above, C. Jones, S. Jones and Management directly or indirectly, singly or in concert, have engaged, and are engaging, in fraudulent acts, practices, schemes and course of conduct that constitute violations of Section 10(b) of the Securities Exchange Act of 1934, 15 U.S.C. § 78j(b), 17 C.F.R. § 240.10b-5.

47. As a direct and proximate cause of the fraudulent conduct C. Jones, S. Jones and Management, Griffin has been damaged in an amount to be determined at trial. Griffin is entitled to all remedies provided by 15 U.S.C. § 78j and 17 C.F.R. § 240.10b-5.

COUNT THREE
(Breach of Fiduciary Duties)
Against C. Jones, S. Jones and Management

48. Griffin incorporates by reference the foregoing allegations as if set forth in full.

49. As an officer, member and/or director of BRI, ICS, SEB and CBR, C. Jones owed statutory and common law duties of care and loyalty to those companies and Griffin. As manager of BRI, ICS, SEB and CBR, Management owed statutory and common law duties of care and loyalty to those companies and Griffin. As an officer of ICS and President of Management, S. Jones owed statutory and common law duties of care and loyalty to those companies and Griffin. The statutory duties are set forth in the Kentucky Limited Liability Company Act, KRS 275.001 *et seq.*, the Kentucky Business Corporation Act, KRS 271B.1-010 *et seq.*, and the Wyoming Limited Liability Company Act, W.S. 1977 § 17-29-101 *et seq.*

50. C. Jones, S. Jones and Management wantonly and/or recklessly breached those duties by engaging in the conduct described herein.

51. As a direct and proximate cause of wrongful conduct of C. Jones, S. Jones and Management, Griffin has been damaged in an amount to be determined at trial. Griffin is also entitled to an award of punitive damages against C. Jones, S. Jones and Management.

COUNT FOUR
(FRAUD)
Against C. Jones, S. Jones and Management

52. Griffin incorporates by reference the foregoing allegations as if set forth in full.

53. In 2008-2011, C. Jones, S. Jones and Management made to Griffin material misrepresentations of fact and concealed material facts from Griffin concerning the operations, financial status and expenses of ICS, BRI, SEB and CBR with the intent to defraud Griffin.

54. As an officer of ICS and Management, S. Jones had a duty to provide material facts to Griffin. As a member of BRI and Chief Executive Officer of Management, C. Jones had a duty to provide material facts to Griffin. As the manager of ICS, BRI, SEB and CBR, Management had a duty to provide material facts to Griffin.

55. Griffin was unaware of the facts concealed by S. Jones, C. Jones and Management and would have acted differently had he known those facts.

56. C. Jones, S. Jones and Management knew statements made to Griffin were false and knew that facts concealed from Griffin were material to him.

57. To his detriment, Griffin reasonably relied on representations by C. Jones, S. Jones and Management.

58. As a direct and proximate cause of the wrongful conduct of C. Jones, S. Jones and Management, Griffin has been damaged in an amount to be determined at trial and is entitled to an award of punitive damages against those defendants.

COUNT FIVE
(Misappropriation)
Against C. Jones, S. Jones and Management

59. Griffin incorporates by reference the foregoing allegations as if set forth in full.

60. Griffin provided money to the Companies to allow the Companies to pay operational expenses in order to increase the value of Griffin's investments. The Companies, through C. Jones and Management, promised to repay those funds.

61. C. Jones, S. Jones and Management used the money for purposes other than the legitimate, reasonable operational expenses of the Companies.

62. C. Jones, S. Jones and Management misappropriated the money provided by Griffin for their own benefit.

63. As a direct and proximate cause of the wrongful conduct of C. Jones, S. Jones and Management, Griffin has been injured in an amount to be determined at trial.

**COUNT SIX
(Breach of Contract)
Against ICS**

64. Griffin incorporates by reference the foregoing allegations as if set forth in full.

65. Griffin agreed to loan money on numerous occasions to ICS since 2008 totaling at least \$611,000. ICS agreed to repay those loans.

66. ICS breached that agreement and has not repaid the money loaned by Griffin.

67. As a direct and proximate cause of ICS's breach, Griffin has been damaged in an amount to be determined at trial.

**COUNT SEVEN
(Breach of Contract)
Against BRI**

68. Griffin incorporates by reference the foregoing allegations as if set forth in full.

69. Griffin agreed to loan money on numerous occasions to BRI since 2008 totaling at least \$3.99 million. BRI agreed to repay those loans.

70. BRI breached that agreement and has not repaid the money loaned by Griffin.

71. As a direct and proximate cause of BRI's breach, Griffin has been damaged in an amount to be determined at trial.

**COUNT EIGHT
(Breach of Contract)
Against SEB**

72. Griffin incorporates by reference the foregoing allegations as if set forth in full.

73. Griffin agreed to loan a total of millions of dollars to SEB paid on numerous occasions since 2008. SEB agreed to repay those loans.

74. SEB breached that agreement and has not repaid the money loaned by Griffin.

75. As a direct and proximate cause of SEB's breach, Griffin has been damaged in an amount to be determined at trial.

**COUNT NINE
(Breach of Contract)
Against CBR**

76. Griffin incorporates by reference the foregoing allegations as if set forth in full.

77. Griffin agreed to loan a total of millions of dollars to CBR paid on numerous occasions since 2009. CBR agreed to repay those loans.

78. CBR breached that agreement and has not repaid the money loaned by Griffin.

79. As a direct and proximate cause of CBR's breach, Griffin has been damaged in an amount to be determined at trial.

**COUNT TEN
(UNJUST ENRICHMENT)
Against C. Jones, S. Jones and Management**

80. Griffin incorporates by reference the foregoing allegations as if set forth in full.

81. Griffin provided money to the Companies based on false and misleading statements and omissions by C. Jones, S. Jones and Management.

82. C. Jones, S. Jones and Management used a portion of those funds for their own purpose and in furtherance of their fraudulent scheme.

83. In addition, upon information and belief, C. Jones, S. Jones and Management transferred a portion of the money provided by Griffin for their own use.

84. C. Jones, S. Jones and Management were not entitled to these funds, which were obtained from Griffin through fraud and improper means.

85. C. Jones, S. Jones and Management were unjustly enriched by obtaining funds from Griffin by fraud.

86. As a direct and proximate cause of the unjust retention of these sums by C. Jones, S. Jones and Management, Griffin has been damaged in an amount to be determined at trial.

**COUNT ELEVEN
(CONSTRUCTIVE TRUST)
Against C. Jones, S. Jones and Management**

87. Griffin incorporates by reference the foregoing allegations as if set forth in full.

88. Griffin invested tens of millions of dollars in the Companies.

89. C. Jones, S. Jones and Management used Griffin's investment wrongfully and for their own benefit.

90. Having obtained Griffin's funds by fraud, C. Jones, S. Jones and Management hold those funds in constructive trust for Griffin and must return or account for same.

91. To the extent that C. Jones, S. Jones and Management intend to dispose of or distribute such those funds or property purchased with those funds, such disposition will cause irreparable harm to Griffin for which there is no remedy at law.

WHEREFORE, premises considered, Plaintiff demands the following relief:

1. That the Court appoint a Receiver to take control of, operate and manage: CA Jones Management Group, LLC; Integrated Computer Solutions, Inc.; Blackrock Investments, LLC; SE Book Company, LLC; and College Book Rental Company, LLC;

2. That the Court enter judgment against Defendants;

3. That the Court award to Plaintiff appropriate compensatory damages and pre-judgment interest;

4. That the Court award punitive damages against Charles Jones, Sarah Jones and CA Jones Management Group, LLC;
5. That the Court award Plaintiff his attorneys' fees and costs;
6. That the Court impose a constructive trust of the assets of Charles Jones, Sarah Jones and CA Jones Management Group, LLC for benefit of Plaintiff; and
7. That the Court award such other legal and equitable relief as it deems appropriate.

JURY DEMAND

Plaintiff demands that this case be tried before a jury.

Respectfully submitted,

/s/ Charles M. Pritchett

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