

SEP 25 2009

JAMES M. HATTEN, Clerk  
**ORIGINAL**

UNITED STATES DISTRICT COURT  
NORTHERN DISTRICT OF GEORGIA  
ATLANTA DIVISION

RON BROWN, and VIVIAN GARCIA, )  
on behalf of themselves and all others )  
similarly situated, )  
 )  
Plaintiffs, )  
 )  
v. )  
 )  
J.P. TURNER & COMPANY, LLC, )  
 )  
 )  
Defendant. )  
 )  
\_\_\_\_\_ )

CASE NO.

**1 09-CV-2649**  
CLASS ACTION

Jury Trial  
Demanded

**JEC**

**CLASS ACTION COMPLAINT**

Plaintiffs Ron Brown ("Ron") and Vivian Garcia ("Vivian"), on their own behalfs and for all others similarly situated, by their undersigned counsel, make the following allegations based upon: (i) personal knowledge; (ii) information and belief; (iii) the investigation of counsel, which included review of publicly-available documents, including documents filed by and with the United States Securities & Exchange Commission ("S.E.C."); (iv) documents filed in the Chapter 11 bankruptcy of the non-party issuers of securities here, Provident Royalties LLC ("Provident") and various single-purpose entities, each of which bears the name "Shale Royalties" somewhere in the title (and each of which is hereinafter referred to as an ("SR") entity and identified using the following format: SR \_\_); and (v) offering documents, including Private Placement

Memoranda (“PPM’s”) and other documents that Defendant provided and circulated to Ron, Vivian, and all other members of the putative class.

### **NATURE OF THE ACTION**

1. This is a putative class action filed on behalf of all persons and entities who, from about September 1, 2006 until January 31, 2009 (the “Class Period”), purchased or acquired partnership interests, preferred stock, or other equity securities in one or more SR entities through a series of purportedly private placement offerings (the “Offerings”) that were offered and sold through promotions or solicitations made by Defendant J.P. Turner & Company, LLC (“J.P. Turner”).

2. Beginning in or around September 2006, Provident Asset Management, L.L.C. (“PAM”) acted as a managing dealer for the Offerings and, through a network of broker-dealers that included J.P. Turner, which executed a participation agreement with Provident’s own broker-dealer, Provident Asset Management (“PAM”). Each Offering was conducted in a virtually identical fashion.

3. For example, beginning on or about January 4, 2008, SR 8 filed with the S.E.C. a Form D Notice of Sale of Securities Pursuant to Rule 506 of Regulation D (“Reg D Notice”), 17 C.F.R. § 230.506. SR 8 did so purportedly to obtain an exemption from federal registration requirements

otherwise imposed by § 5(a) and §5(c) of The Securities Act of 1933 (“Securities Act”), 15 U.S.C. § 77e(a), (c) (2008) for \$35 million in preferred stock. *See* Exhibit A (SR 8’s Reg D Notice).

4. Upon information and belief, SR 8 and J.P. Turner failed to comply with the GSA’s (“GSA”) requirement under O.C.G.A. § 10-5-5 (GCA § 97-5), that a notice be filed with Georgia’s securities administrator. A search of the Georgia Secretary of State’s website indicates that only three of the last SR entities were properly registered or noticed under the GSA: SR 17, 18, and 19. Thus, J.P. Turner appears to have offered SR 8 in violation of § 10-5-5 of the GSA, which was in effect at all times material hereto. *See* Exhibit B (print-out from Georgia Secretary of State’s website).

5. Further, beginning on or about August 7, 2008, SR 16 filed with the S.E.C. a Reg D Notice. SR 16 did so purportedly to obtain an exemption from federal registration requirements otherwise imposed by Securities Act § 5(a) and §5(c) for \$35 million in preferred stock. *See* Exhibit C (SR 16’s Reg D Notice).

6. Upon information and belief, SR 16 and J.P. Turner failed to comply with Georgia’s requirement that a notice be filed with Georgia’s securities administrator. Thus, J.P. Turner appears to have offered SR 16 in violation of § 10-5-5 of the GSA, which was in effect at all times material

hereto.

7. In addition to selling SR 8 and SR 16 even though no notice was on file with Georgia, upon information and belief, J.P. Turner similarly failed regarding SR 2, 3, 4, 5, 6, 7, 9, 10, 12, 14, and 15.

8. Each Offering was similarly structured: preferred stock or other equity interests that purportedly offered extremely high rates of return in the form of monthly dividends. These securities were not publicly traded and were made for the ostensible purpose of financing Provident's and SR's participation in the oil and gas industry, but with an emphasis on land speculation.

9. The Offerings were made by distributing the PPM's to Ron, Vivian and all other putative class members. The PPM's, however, made material misrepresentations and omissions that were false and misleading when made.

10. J.P. Turner stands guilty of recklessly failing to disclose a multitude of material facts, which J.P. turner was, or should have been aware of. For example, J.P. Turner recklessly failed to disclose that:

- a. Investors' funds were (or would be) commingled with funds received from other investors in other offerings by Provident or other SR entities;
- b. Proceeds of the Offerings were not invested as stated in the nearly-identical PPM's for the various SR's;

- c. Later investors' funds were being used to pay dividends and returns of capital to later investors—the classic hallmark of a Ponzi scheme.

11. On or about January 22, 2009, the scheme started to collapse when Provident announced that it would not accept new investors into any of the Offerings. A week later, Provident suspended dividend payments and redemptions.

12. On or about June 22, 2009, Provident, and about 20 affiliated SR entities, filed for relief under Chapter 11 of the federal bankruptcy code in Dallas, Texas.

13. Less than a month later, on July 7, 2009, the S.E.C. sued Provident and all the SR entities, alleging fraud under the federal securities laws in federal district court in Dallas, Texas. The S.E.C. sought and obtained asset freezes and appointed a receiver to recover assets for investors.

14. During the Class Period, Defendant J. P. Turner solicited Ron, Vivian, and all putative class members to purchase securities issued in the Offerings. This caused investor funds to be invested into a Ponzi scheme, operated by Provident, SR, and the individuals who ran those companies. Provident (or the various SR entities) paid Defendant J.P. Turner large fees for soliciting and selling to Ron, Vivian, and all putative class members

securities issued in the Offerings.

15. J.P. Turner either failed to perform adequate and reasonable due diligence that would have revealed that Provident and its various SR entities were a fraud, or it performed adequate and reasonable due diligence and came to appreciate the fraud, but failed to disclose such findings to Plaintiff and the putative class. Irrespective, J.P. Turner failed to disclose to the Plaintiff and the putative class that it was selling securities that it knew or should have known were part and parcel to a massive fraud. And to the extent J.P. Turner made affirmative representations in its own promotional materials or through the dissemination of Provident materials, J.P. Turner knew or should have known that such representations were false. Rather than fully and fairly disclose all material facts to Plaintiff and the putative class, J.P. Turner recklessly sold SR-issued securities as potentially lucrative investments in a profitable, legitimate enterprise.

### **JURISDICTION**

16. This court possesses subject-matter jurisdiction under 28 U.S.C. § 1332(d) because, upon information and belief, the amount in controversy exceeds \$5 million, and the putative class consists of more than 100 people. Plaintiff and Defendants are citizens of different states.

## VENUE

17. Venue is proper in the Northern District of Georgia under 28 U.S.C. § 1391(a)(1), (2).

## PARTIES

18. Plaintiff Ronald Brown resides in the State of Idaho. Ron invested \$25,000 to purchase preferred stock in SR 16 pursuant to misstatements and omissions made by J.P. Turner. Ron purchased his securities from Defendant J.P. Turner.

19. Plaintiff Vivian Garcia resides in the State of Georgia. Vivian invested \$50,000 to purchase preferred securities in SR 8 pursuant to misstatements and omissions made by J.P. Turner. Vivian purchased her securities from J.P. Turner.

20. Defendant J.P. Turner is a limited liability company organized under the laws of the State of Georgia. J.P. Turner is also a registered broker-dealer, authorized to sell securities in all fifty states and the District of Columbia. J.P. Turner maintains its principal offices in this District at One Buckhead Plaza, 3060 Peachtree Road, N.W., 11<sup>th</sup> Floor, Atlanta, Georgia 30305. J.P. Turner served as a broker-dealer for the Offerings and received fees from Provident (or the various SR entities) and commissions from investors for its role in promoting and selling securities in the

Offerings. J.P. Turner can be served with process through its registered agent, William L. Mello, at 3060 Peachtree Road, 11<sup>th</sup> Floor, Atlanta, Fulton County, Georgia 30305.

21. SR 2, a Delaware corporation, raised approximately \$9.7 million from 177 investors. The principal office of SR 2 is located in Dallas, Texas. Upon information and belief, J.P. Turner marketed and sold this security to members of the putative class in violation of both the notice/registration and anti-fraud provisions of the GSA.

22. SR 3, a Texas limited liability company, raised approximately \$20 million from 339 investors. The principal office of SR 3 is located in Dallas, Texas. Upon information and belief, J.P. Turner marketed and sold this security to members of the putative class in violation of both the notice/registration and anti-fraud provisions of the GSA.

23. SR 4, a Delaware corporation, raised approximately \$27.4 million from 487 investors. The principal office of SR 4 is located in Dallas, Texas. Upon information and belief, J.P. Turner marketed and sold this security to members of the putative class in violation of both the notice/registration and anti-fraud provisions of the GSA.

24. SR 5, a Delaware corporation, raised approximately \$29.94 million from 499 investors. The principal office of SR 5 is located in Dallas,

Texas. Upon information and belief, J.P. Turner marketed and sold this security to members of the putative class in violation of both the notice/registration and anti-fraud provisions of the GSA.

25. SR 6, a Delaware corporation, raised approximately \$27.4 million from 493 investors. The principal office of SR 6 is located in Dallas, Texas. Upon information and belief, J.P. Turner marketed and sold this security to members of the putative class in violation of both the notice/registration and anti-fraud provisions of the GSA.

26. SR 7, a Delaware corporation, raised approximately \$31.3 million from 494 investors. The principal office of SR 7 is located in Dallas, Texas. Upon information and belief, J.P. Turner marketed and sold this security to members of the putative class in violation of both the notice/registration and anti-fraud provisions of the GSA.

27. SR 8, a Delaware corporation, raised approximately \$31.8 million from 497 investors. The principal office of SR 8 is located in Dallas, Texas. J.P. Turner marketed and sold this security to members of the putative class, all in violation of the notice/registration and anti-fraud provisions of the GSA.

28. SR 9, a Delaware corporation, raised approximately \$33.2 million from 499 investors. The principal office of SR 9 is located in Dallas,

Texas. Upon information and belief, J.P. Turner marketed and sold this security to members of the putative class in violation of both the notice/registration and anti-fraud provisions of the GSA.

29. SR 10, a Delaware corporation, raised approximately \$29.1 million from 496 investors. The principal office of SR 10 is located in Dallas, Texas. Upon information and belief, J.P. Turner marketed and sold this security to members of the putative class in violation of both the notice/registration and anti-fraud provisions of the GSA.

30. There was no SR 11.

31. SR 12, a Delaware corporation, raised approximately \$34.9 million from 488 investors. The principal office of SR 12 is located in Dallas, Texas. Upon information and belief, J.P. Turner marketed and sold this security to members of the putative class in violation of both the notice/registration and anti-fraud provisions of the GSA.

32. There was no SR 13.

33. SR 14, a Delaware corporation, raised approximately \$31.1 million from 446 investors. The principal office of SR 14 is located in Dallas, Texas. Upon information and belief, J.P. Turner marketed and sold this security to members of the putative class in violation of both the notice/registration and anti-fraud provisions of the GSA.

34. SR 15, a Delaware corporation, raised approximately \$27.5 million from 458 investors. The principal office of SR 15 is located in Dallas, Texas. Upon information and belief, J.P. Turner marketed and sold this security to members of the putative class in violation of both the notice/registration and anti-fraud provisions of the GSA.

35. SR 16, a Delaware corporation, raised approximately \$31.2 million from 466 investors. The principal office of SR 16 is located in Dallas, Texas. J.P. Turner marketed and sold this security to members of the putative class, all in violation of both the notice/registration and anti-fraud provisions of the GSA.

36. SR 17, a Delaware corporation, raised approximately \$30.5 million from 492 investors. The principal office of SR 17 is located in Dallas, Texas. Upon information and belief, J.P. Turner marketed and sold this security to members of the putative class in violation of both the notice/registration and anti-fraud provisions of the GSA.

37. SR 18, a Delaware corporation, raised approximately \$24.4 million from 306 investors. The principal office of SR 18 is located in Dallas, Texas. Upon information and belief, J.P. Turner marketed and sold this security to members of the putative class in violation of both the notice/registration and anti-fraud provisions of the GSA.

38. SR 19, a Delaware corporation, raised approximately \$12.2 million from 194 investors. The principal office of SR 19 is located in Dallas, Texas. Upon information and belief, J.P. Turner marketed and sold this security to members of the putative class in violation of both the notice/registration and anti-fraud provisions of the GSA.

39. SR 20, a Delaware corporation, raised approximately \$6.8 million from 91 investors. The principal office of SR 20 is located in Dallas, Texas. Upon information and belief, J.P. Turner marketed and sold this security to members of the putative class in violation of both the notice/registration and anti-fraud provisions of the GSA.

### **FACTUAL ALLEGATIONS**

40. During the Class Period, Defendant J.P. Turner solicited investments from and sold the Offerings to several hundred or a few thousand investors, raising millions of dollars for Provident and SR 2 through 20.

41. For each Offering, J.P. Turner disseminated nearly identical PPM's that purported to describe the nature of the investment and solicited funds from the putative class. In violation of the GSA, which was in effect at the time of the wrongs complained of herein and which governs this present action, *see* Article 7, Georgia Uniform Securities Act of 2008, § 10-

5-90(a), the PPM's disseminated by J.P. Turner and its representatives contained several material misstatements. For example, the PPM's misrepresented that:

- a. Offering proceeds were intended to be "used primarily to acquire properties or participate in the drilling of wells, and may be used to pay intangible property acquisition costs, which may include an allocated portion of costs incurred by affiliates;"
- b. The Corporation will use proceeds of the Offering to pay organization and offering costs, to pay non-accountable due diligence and syndication fees and sales commissions to securities broker-dealers, including an affiliate of the Corporation, and to implement its plan of business.

42. The misstatements identified above were false and misleading when made because (a) the offering proceeds were not used or intended to be used as described because, in truth, less than one-half of the offering proceeds were used as described in the PPM's; in truth, offering proceeds went to repay investors in earlier SR entities; (b) investors' funds would be commingled with funds received in other offerings; and (c) Provident and SR were not profitable entities that had generated (or would generate) substantial surpluses of revenue, sufficient to pay eye-popping returns to investors.

43. The PPM's also failed to disclose material information that should have been disclosed so that additional information would not be

misleading. For example, the PPM's contain a chart showing certain prior offerings that detailed the size of the Offerings, number of investors, and amounts paid in dividends. But neither the PPM's nor J.P. Turner disclosed that the source of funds used to pay those interest and dividends was actually funds from investors in subsequent SR entities.

44. Plaintiffs are not alone in their contentions that the PPM's were materially false and misleading. Indeed, declarations and exhibits filed by the S.E.C. against Provident and the various SR entities in federal district court in Dallas leave no doubt that the PPM's statements and omissions were materially false and misleading when made. *See* Exhibit D (Scott Frost Declaration).

### **The Mick Reports**

45. In a letter to Plaintiff Ron Brown, J.P. Turner's general counsel admitted to J.P. Turner's "reviewing third-party due diligence[.]"

46. Nebraska law firm Mick & Associates made a business out of performing  
"due diligence" on various entities such as Provident and the various SR entities. To that end, Mick & Associates' website proclaims, "We are a provider of independent due diligence services for various broker-dealers throughout the country."

47. Mick & Associates produced at least one due diligence report to the S.E.C., dated November 14, 2008 (the "SR 19 Mick Report"). That report contained the kinds of facts J.P. Turner either did discover with its own "third-party due diligence" or would have discovered had it undertaken any reasonable measure of due diligence.

48. The SR 19 Mick Report sets forth, in shocking detail, the abysmal state of Provident's finances, as well as the finances of many SR entities, and identifies an array of accounting irregularities and lax internal controls that J.P. Turner either discovered or, but for J.P. Turner's reckless failure to conduct due diligence, would have discovered: (i) the PPM's were materially false and misleading; (ii) numerous accounting irregularities and grossly lax internal controls pointed ineluctably to the existence of a Ponzi scheme; and (iii) neither Provident nor any SR were profitable or a suitable investment for anyone. *See* Exhibit E (SR 19 Mick Report).

49. But, turning a blind eye to such truths or being unaware of their failure to conduct even the most cursory due diligence, J.P. Turner continued offering Provident and SR securities, *i.e.*, SR 19 and 20, until the very end. In so doing, J.P. Turner acted with deliberate recklessness, at a minimum, and violated the GSA.

50. Any reasonable actor that conducted even a modicum of due diligence would have noted that, from the beginning, Provident and the various SR entities bore (and J.P. Turner recklessly ignored) the following near-universal red flags for a Ponzi scheme:

- a. Extraordinary rates of return to investors;
- b. Interest would be paid in arrears;
- c. Extraordinary commission rates or premiums paid by Provident to broker-dealers like J.P. Turner here—between six and ten percent of the face amount of class members' investment;
- d. Period of illiquidity when investors could not redeem their investments;
- e. A daisy chain or serial of entities, launched in quick succession one after the other;
- f. The absence of audited financials and *any outside auditor* (the S.E.C. has alleged that neither Provident nor SR had audited financial statements); and
- g. Eventual reduction of dividends and lengthened periods of illiquidity.

51. J.P. Turner's distribution, marketing, and selling of Provident and SR securities is particularly appalling, given that neither Provident nor SR operated for at least 2 years, raising hundreds of millions of dollars with no outside auditor to verify Provident's or the SR entities' financial status—likewise with the absence of audited financials. Had J.P. Turner (as it

should have done in the exercise of appropriate due diligence) demanded to see audited financial statements, or even source documents for such audits, *e.g.*, bank statements for Provident and the various SR entities, tax returns, *etc.*, it would have seen the red flags for a Ponzi scheme.

52. Had J.P. Turner not cast due diligence to the wind in favor of lucrative commissions from Provident, it would have demanded audited financials, or at least reasonable source documents to ensure that Provident and SR were legitimate, profitable companies fit for investment.

53. Financials would have shown the flow of money in Provident and shown that Provident was a Ponzi scheme. The absence of audited financial statements should have (but apparently did not) suggest to J.P. Turner that Provident and the various SR entities were suspicious entities and not suitable for offering or sale to anyone.

54. The Director of the S.E.C.'s Salt Lake City office, the S.E.C. office that sued Provident, publicly stated, "Provident sold ostensibly safe securities such as preferred stock to thousands of investors . . . [b]ut, it was actually operating a Ponzi-like shell game in which assets were shuttled from one entity to another and investors were paid 'returns' from whatever money was available – usually that of the most recent investors." This would not have been possible on such a massive scale without deliberate

recklessness that J.P. Turner here displayed with its astonishing lack of due diligence and its nationwide promotion, offering, and selling of Provident and Shale Securities to the putative class.

### **CLASS ALLEGATIONS**

55. Plaintiffs bring this action under Rules 23(a) and (b)(3) of the Federal Rules of Civil Procedure.

56. This is a putative class action, filed on behalf of all persons and entities to whom Defendant J.P. Turner offered and sold preferred stock or other securities in one or more of SR's 2 through 20.

57. The putative class satisfies Rules 23(a) and (b)(3) of the Federal Rules of Civil Procedure regarding numerosity, typicality, commonality, superiority, and adequacy.

58. Excluded from the putative class are the Defendant, Defendant's directors and officers, immediate families of Defendant's directors and officers, and any entity in which the Defendant maintained a controlling interest, or that is related to or affiliated with the Defendant, or the legal representatives, agents, affiliates, heirs, successors-in-interests or assignees of any such excluded person.

59. The members of the putative class are so numerous that joinder of all members would be impracticable. Plaintiffs estimate that putative

class members number in the several hundreds. The precise number of putative class members can easily be ascertained from J.P. Turner's records. Notice can be provided to class members using first-class mail, published notice, and, where possible, electronic mail.

60. Plaintiffs Ron Brown and Vivian Garcia will fairly and adequately represent the putative class. Plaintiffs have retained counsel experienced in sophisticated securities class action litigation.

61. Plaintiffs' claims are typical of all putative class members' claims because Plaintiffs' and all putative class members' damages stem from: (i) the same material misstatements and omissions in PPM's issued by SR's 2 through 20 and circulated to Plaintiffs and putative class members by J.P. Turner (and according to the S.E.C., the PPM's were substantially identical to one another for all SR's 1 through 20); (ii) the same negligence, *i.e.*, J.P. Turner's abject failure to conduct adequate due diligence, and the negligent representations and omissions that J.P. Turner made caused Plaintiffs' and putative class members' great financial harm; and (iii) J.P. Turner's participation in PAM's network of broker-dealers, which materially aided and abetted GSA violations.

62. A class action is superior to other available methods for the fair and efficient means to resolve this controversy. The damages suffered by

individual class members may be relatively small, making the expense and burden of individual cases for such putative class members quite difficult for individual class members to pursue and to seek redress against J.P. Turner for the misconduct here identified. Plaintiffs know of no difficulty that will be encountered in the management of this litigation that would preclude its maintenance as a class action.

63. Common questions of law and fact exist as to all putative class members and predominate over questions affecting individual putative class members. Among the questions of law and fact common to the putative class are:

- a. Whether J.P. Turner violated the GSA by offering securities issued by various SR entities, except SR 17, 18, and 19, without filing the required notice(s) with the Georgia Secretary of State;
- b. Whether J.P. Turner violated § 10-5-12(a)(2)(B) of the GSA by making an untrue statement of material fact or omitting to state a material fact necessary in order to make the statements made, in the light of circumstances under which they were made, not misleading, when J.P. Turner circulated PPM's to Plaintiffs PPM's for the various SR entities and the putative class regarding the existence and quality of J.P. Turner's due diligence;
- c. Whether J.P. Turner violated § 10-5-12(a)(2)(B) of the GSA by making an untrue statement of material fact or omitting to state a material fact necessary in order to make the statements made, in the light of circumstances under which they were made, not misleading, when J.P. Turner promoted the various SR entities as offering financially lucrative

opportunities to invest in a legitimate enterprise;

- d. Whether J.P. Turner knew, and in the exercise of reasonable care could (or should) have known, of the untrue statements and misleading omissions in PPM's issued by the various SR entities and circulated by J.P. Turner;
- e. Whether J.P. Turner was negligent with its lack of adequate due diligence regarding the SR's 2 through 20, and whether this negligence damaged the putative class;
- f. Whether J.P. Turner stands guilty of negligent misrepresentation for the misstatements and omissions it conveyed to Plaintiffs and to the putative class; and
- g. Whether, and to what extent, Plaintiffs and the putative class were damaged by J.P. Turner's conduct.

**COUNT ONE—VIOLATION OF THE GEORGIA SECURITIES ACT  
of 1973's NOTICE/REGISTRATION REQUIREMENTS**

64. Plaintiffs here incorporate by reference the allegations made in paragraphs 1 through 63 (a), as if fully here alleged.

65. The GSA and rules promulgated thereunder required that SR's 2 through 20 have notices filed with the Georgia Secretary of State even though those entities filed for exemption from federal registration requirements.

66. According to the Georgia Secretary of State's website, only SR 17, 18, and 19 were properly noticed under the GSA.

67. Upon information and belief, J.P. Turner promoted, offered,

and sold securities issued by SR's 2 through 16 and 20, even though the proper notices had not been filed with Georgia's Secretary of State.

68. This notice/registration violation is a strict liability offense and entitles all class members except those who purchased SR 17, 18, or 19 to rescission or a full measure of recessionary damages from J.P. Turner.

**COUNT TWO—VIOLATION OF § 10-5-12(a)(2)(B) of the GSA**

69. Plaintiffs incorporate here by reference the allegations made in paragraphs 1-63 (b), (c), (d), and (g), as if fully here alleged.

70. J.P. Turner offered and sold securities issued by the various SR entities via materially misleading PPM's. Those PPM's were substantially similar in content, thus making substantially similar materially misleading statements and omissions to Plaintiffs and all members of the putative class.

71. J.P. Turner offered and sold securities issued by SR's 2 through 20 via verbal false and misleading statements and omissions. The verbal statements were all substantially similar—that SR's 2 through 20 offered a lucrative investment opportunity with a legitimate business enterprise, and that J.P. Turner had conducted adequate due diligence.

72. In so doing, J.P. Turner acted with scienter, a state of mind which can be averred generally.

73. Plaintiffs and the putative class members justifiably relied on

the PPM's circulated by J.P. Turner; alternatively, reliance may be presumed here given the existence of a scheme perpetrated upon all class members—that is, no one knowingly invests in a Ponzi scheme.

74. J.P. Turner's materially misleading misstatements and omissions caused Plaintiffs and the putative class members to purchase securities issued by SR's 2 through 20.

75. When the truth about Provident and the various SR entities came out, the Plaintiffs' and putative class members' investments in SR's 2 through 20 became worthless.

### **COUNT THREE—NEGLIGENCE**

76. Plaintiffs incorporate here by reference the allegations made in paragraphs 1 through 63, as if fully here alleged.

77. J.P. Turner bore a duty and breached a duty to Plaintiffs and all members of the putative class to conduct adequate due diligence into SR's 2 through 20 before promoting, offering, and selling securities issued by SR's 2 through 20.

78. J.P. Turner failed to adequately investigate the financial affairs of Provident and the various SR entities and the adequacy of their internal controls, which were sorely lacking—a fact any reasonable due diligence would have revealed.

79. J.P. Turner failed to adequately investigate the panoply of accounting irregularities and lax internal controls that would have been (and likely were) apparent from whatever “third-party due diligence” that J.P. Turner purported to rely upon.

80. J.P. Turner in the exercise of reasonable due diligence, when made aware there were no audited financials for Provident or for SR 2 through 20, should have at least demanded to see some source of back-up documentation, *e.g.*, bank statements, tax returns, etc., to test or confirm solvency and profitability of Provident and the various SR entities.

81. But J.P. Turner utterly failed to exercise adequate due diligence, and that failure is both the factual and proximate cause of the financial loss suffered by both Plaintiffs and all members of the putative class.

#### **COUNT IV—NEGLIGENT MISREPRESENTATION**

82. Plaintiffs here incorporate by reference the allegations made in paragraphs 1 through 63 and 76 through 81, as if fully here alleged.

83. J.P. Turner stands guilty of negligent misrepresentation because J.P. Turner negligently misrepresented to Plaintiffs and all members of the putative class that SR’s 2 through 20 offered a lucrative investment opportunity in a legitimate and profitable business enterprise when, in fact,

Provident and SR's 2 through 20 were nothing more than just another Ponzi scheme.

84. J.P. Turner's negligent misrepresentations were substantially the same to Plaintiffs and all putative class members. Specifically, the negligent misrepresentations regarding the profitability and promise of investing in SR's 2 through 20 came via the misleading PPM's that J.P. Turner circulated to Plaintiffs and members of the putative class.

85. The plaintiffs and all members of the putative class justifiably relied on J.P. Turner's negligent misrepresentations; alternatively, reliance may be presumed here given the existence of a scheme perpetrated upon all class members—that is, no one knowingly invests in a Ponzi scheme.

86. J.P. Turner's negligent misrepresentations caused the Plaintiffs and the putative class members great financial harm.

#### **PRAYER FOR RELIEF**

**WHEREFORE**, Plaintiffs pray for relief and judgment, as follows:

A. Determining that this action is a proper class action, certifying Plaintiffs as Class Representatives under Rule 23 of the Federal Rules of Civil Procedure and Plaintiffs' counsel as Class Counsel;

B. Awarding rescission or rescissionary damages to Plaintiffs and to the Class (or subclass) that purchased securities issued by SR's 2 through

20 and sold by J.P. Turner when those securities had not been properly noticed or registered under the GSA;

C. Awarding Plaintiffs and the Class compensatory damages for J.P. Turner's violation of Section 10-5-12(a)(2)(B) of the GSA;

D. Awarding Plaintiffs and the Class compensatory damages for J.P. Turner's negligence in failing to conduct adequate due diligence;

E. Awarding Plaintiffs and the Class compensatory damages for J.P. Turner's negligent misrepresentation regarding the profitability and promise of SR's 2 through 20 as investments in a legitimate business enterprise;

F. Awarding the Plaintiffs and the Class pre-judgment interest;

G. Awarding the Plaintiffs and the Class their reasonable costs and expenses incurred in this action, counsel fees, a reasonable stipend for the Class Representatives, and expert witness fees; and

H. Granting other such relief as this Court deems just and proper.

**JURY TRIAL DEMANDED**

Plaintiffs hereby demand a trial by jury on all issues.

DATED: September 25<sup>th</sup>, 2009

**[SIGNATURE PAGE TO FOLLOW]**

HOLZER HOLZER & FISTEL, LLC



Corey D. Holzer

Georgia Bar No. 364698

Michael I. Fistel

Georgia Bar No. 262062

Marshall P. Dees

Georgia Bar No. 105776

200 Ashford Center North, Suite 300

Atlanta, GA 30338

Telephone: (770) 392-0090

Facsimile: (770) 392-0029

E-mail: mfistel@holzerlaw.com

DIMOND KAPLAN & ROTHSTEIN, P.A.

David A. Rothstein\*

Jeffrey B. Kaplan\*

Lorenz M. Pruss\*

Offices at Grand Bay Plaza

2665 South Bayshore Drive,

PH-2B

Miami, FL 33133

Telephone: (305)374-1920

Facsimile: (305) 374-1961

E-Mail: drothstein@dkrpa.com

jkaplan@dkrpa.com

lpruss@dkrpa.com

BLUM & SILVER, LLP

Scott L. Silver\*

Scott L. Adkins\*

12540 West Atlantic Blvd.

Coral Springs, FL 33071

Telephone: (954) 255-8181

Facsimile: (954) 255-8175

E-Mail: silver@stockattorneys.com

adkins@stockattorneys.com

*\*pro hac vice* applications to be filed

The JS44 civil cover sheet and the information contained herein neither replace nor supplement the filing and service of pleadings or other papers as required by law, except as provided by local rules of court. This form is required for the use of the Clerk of Court for the purpose of initiating the civil docket record. (SEE INSTRUCTIONS ATTACHED)

**I. (a) PLAINTIFF(S)**

Ron Brown and Vivian Garcia, on behalf of themselves and all others similarly situated

**DEFENDANT(S)**

J.P. Turner & Company, LLC

**JEC**

**(b) COUNTY OF RESIDENCE OF FIRST LISTED PLAINTIFF** State of Idaho  
(EXCEPT IN U.S. PLAINTIFF CASES)

**COUNTY OF RESIDENCE OF FIRST LISTED DEFENDANT** Fulton  
(IN U.S. PLAINTIFF CASES ONLY)

NOTE: IN LAND CONDEMNATION CASES, USE THE LOCATION OF THE TRACT OF LAND INVOLVED

**(c) ATTORNEYS** (FIRM NAME, ADDRESS, TELEPHONE NUMBER, AND E-MAIL ADDRESS)

Holzer Holzer & Fistel, LLC  
200 Ashford Center North, Suite 300  
Atlanta, GA 30338

mfistel@holzerlaw.com  
mdees@holzerlaw.com

**ATTORNEYS** (IF KNOWN)

**II. BASIS OF JURISDICTION**

(PLACE AN "X" IN ONE BOX ONLY)

- 1 U.S. GOVERNMENT PLAINTIFF
- 2 U.S. GOVERNMENT DEFENDANT
- 3 FEDERAL QUESTION (U.S. GOVERNMENT NOT A PARTY)
- 4 DIVERSITY (INDICATE CITIZENSHIP OF PARTIES IN ITEM III)

**III. CITIZENSHIP OF PRINCIPAL PARTIES**

(PLACE AN "X" IN ONE BOX FOR PLAINTIFF AND ONE BOX FOR DEFENDANT) (FOR DIVERSITY CASES ONLY)

- | PLF                                   | DEF                        |   | PLF                        | DEF                                   |   |
|---------------------------------------|----------------------------|---|----------------------------|---------------------------------------|---|
| <input type="checkbox"/> 1            | <input type="checkbox"/> 1 | CITIZEN OF THIS STATE                   | <input type="checkbox"/> 4 | <input checked="" type="checkbox"/> 4 | INCORPORATED OR PRINCIPAL PLACE OF BUSINESS IN THIS STATE     |
| <input checked="" type="checkbox"/> 2 | <input type="checkbox"/> 2 | CITIZEN OF ANOTHER STATE                | <input type="checkbox"/> 5 | <input type="checkbox"/> 5            | INCORPORATED AND PRINCIPAL PLACE OF BUSINESS IN ANOTHER STATE |
| <input type="checkbox"/> 3            | <input type="checkbox"/> 3 | CITIZEN OR SUBJECT OF A FOREIGN COUNTRY | <input type="checkbox"/> 6 | <input type="checkbox"/> 6            | FOREIGN NATION  |

**IV. ORIGIN**

(PLACE AN "X" IN ONE BOX ONLY)

- 1 ORIGINAL PROCEEDING
- 2 REMOVED FROM STATE COURT
- 3 REMANDED FROM APPELLATE COURT
- 4 REINSTATED OR REOPENED
- 5 TRANSFERRED FROM ANOTHER DISTRICT (Specify District)
- 6 MULTIDISTRICT LITIGATION
- 7 APPEAL TO DISTRICT JUDGE FROM MAGISTRATE JUDGE JUDGMENT

**V. CAUSE OF ACTION**

(CITE THE U.S. CIVIL STATUTE UNDER WHICH YOU ARE FILING AND WRITE A BRIEF STATEMENT OF CAUSE - DO NOT CITE JURISDICTIONAL STATUTES UNLESS DIVERSITY)

Class action arising from alleged violations of Georgia Securities Act of 1973, negligence and negligent misrepresentations seeking recovery of more than \$5 million in damages. Jurisdiction is proper under 28 USC 1332(d)

**(IF COMPLEX, CHECK REASON BELOW)**

- 1. Unusually large number of parties.
- 2. Unusually large number of claims or defenses.
- 3. Factual issues are exceptionally complex
- 4. Greater than normal volume of evidence.
- 5. Extended discovery period is needed.
- 6. Problems locating or preserving evidence
- 7. Pending parallel investigations or actions by government.
- 8. Multiple use of experts.
- 9. Need for discovery outside United States boundaries.
- 10. Existence of highly technical issues and proof.

*Class Action*

CONTINUED ON REVERSE

FOR OFFICE USE ONLY				
RECEIPT #	AMOUNT \$	APPLYING IFP	MAG JUDGE (IFP)	
JUDGE	MAG JUDGE (Referral)	NATURE OF SUIT	CAUSE OF ACTION	

*JEC*

*850*

*15:0077*

**VI. NATURE OF SUIT** (PLACE AN "X" IN ONE BOX ONLY)

**CONTRACT - "0" MONTHS DISCOVERY TRACK**

- 150 RECOVERY OF OVERPAYMENT & ENFORCEMENT OF JUDGMENT
- 152 RECOVERY OF DEFAULTED STUDENT LOANS (Excl. Veterans)
- 153 RECOVERY OF OVERPAYMENT OF VETERAN'S BENEFITS

**CONTRACT - "4" MONTHS DISCOVERY TRACK**

- 110 INSURANCE
- 120 MARINE
- 130 MILLER ACT
- 140 NEGOTIABLE INSTRUMENT
- 151 MEDICARE ACT
- 160 STOCKHOLDERS' SUITS
- 190 OTHER CONTRACT
- 195 CONTRACT PRODUCT LIABILITY
- 196 FRANCHISE

**REAL PROPERTY - "4" MONTHS DISCOVERY TRACK**

- 210 LAND CONDEMNATION
- 220 FORECLOSURE
- 230 RENT LEASE & EJECTMENT
- 240 TORTS TO LAND
- 245 TORT PRODUCT LIABILITY
- 290 ALL OTHER REAL PROPERTY

**TORTS - PERSONAL INJURY - "4" MONTHS DISCOVERY TRACK**

- 310 AIRPLANE
- 315 AIRPLANE PRODUCT LIABILITY
- 320 ASSAULT, LIBEL & SLANDER
- 330 FEDERAL EMPLOYERS' LIABILITY
- 340 MARINE
- 345 MARINE PRODUCT LIABILITY
- 350 MOTOR VEHICLE
- 355 MOTOR VEHICLE PRODUCT LIABILITY
- 360 OTHER PERSONAL INJURY
- 362 PERSONAL INJURY - MEDICAL MALPRACTICE
- 365 PERSONAL INJURY - PRODUCT LIABILITY
- 368 ASBESTOS PERSONAL INJURY PRODUCT LIABILITY

**TORTS - PERSONAL PROPERTY - "4" MONTHS DISCOVERY TRACK**

- 370 OTHER FRAUD
- 371 TRUTH IN LENDING
- 380 OTHER PERSONAL PROPERTY DAMAGE
- 385 PROPERTY DAMAGE PRODUCT LIABILITY

**BANKRUPTCY - "0" MONTHS DISCOVERY TRACK**

- 422 APPEAL 28 USC 158
- 423 WITHDRAWAL 28 USC 157

**CIVIL RIGHTS - "4" MONTHS DISCOVERY TRACK**

- 441 VOTING
- 442 EMPLOYMENT
- 443 HOUSING/ ACCOMMODATIONS
- 444 WELFARE
- 440 OTHER CIVIL RIGHTS
- 445 AMERICANS with DISABILITIES - Employment
- 446 AMERICANS with DISABILITIES - Other

**IMMIGRATION - "0" MONTHS DISCOVERY TRACK**

- 462 NATURALIZATION APPLICATION
- 463 HABEAS CORPUS- Alien Detainee
- 465 OTHER IMMIGRATION ACTIONS

**PRISONER PETITIONS - "0" MONTHS DISCOVERY TRACK**

- 510 MOTIONS TO VACATE SENTENCE
- 530 HABEAS CORPUS
- 535 HABEAS CORPUS DEATH PENALTY
- 540 MANDAMUS & OTHER
- 550 CIVIL RIGHTS - Filed Pro se
- 555 PRISON CONDITION(S) - Filed Pro se

**PRISONER PETITIONS - "4" MONTHS DISCOVERY TRACK**

- 550 CIVIL RIGHTS - Filed by Counsel
- 555 PRISON CONDITION(S) - Filed by Counsel

**FORFEITURE/PENALTY - "4" MONTHS DISCOVERY TRACK**

- 610 AGRICULTURE
- 620 FOOD & DRUG
- 625 DRUG RELATED SEIZURE OF PROPERTY 21 USC 881
- 630 LIQUOR LAWS
- 640 R.R. & TRUCK
- 650 AIRLINE REGS.
- 660 OCCUPATIONAL SAFETY / HEALTH
- 690 OTHER

**LABOR - "4" MONTHS DISCOVERY TRACK**

- 710 FAIR LABOR STANDARDS ACT
- 720 LABOR/MGMT. RELATIONS
- 730 LABOR/MGMT. REPORTING & DISCLOSURE ACT
- 740 RAILWAY LABOR ACT
- 790 OTHER LABOR LITIGATION
- 791 EMPL. RET. INC. SECURITY ACT

**PROPERTY RIGHTS - "4" MONTHS DISCOVERY TRACK**

- 820 COPYRIGHTS
- 840 TRADEMARK

**PROPERTY RIGHTS - "8" MONTHS DISCOVERY TRACK**

- 830 PATENT

**SOCIAL SECURITY - "0" MONTHS DISCOVERY TRACK**

- 861 HIA (1395ff)
- 862 BLACK LUNG (923)
- 863 DIWC (405(g))
- 863 DIWW (405(g))
- 864 SSD TITLE XVI
- 865 RSI (405(g))

**FEDERAL TAX SUITS - "4" MONTHS DISCOVERY TRACK**

- 870 TAXES (U.S. Plaintiff or Defendant)
- 871 IRS - THIRD PARTY 26 USC 7609

**OTHER STATUTES - "4" MONTHS DISCOVERY TRACK**

- 400 STATE REAPPORTIONMENT
- 430 BANKS AND BANKING
- 450 COMMERCE/ICC RATES/ETC.
- 460 DEPORTATION
- 470 RACKETEER INFLUENCED AND CORRUPT ORGANIZATIONS
- 480 CONSUMER CREDIT
- 490 CABLE/SATELLITE TV
- 810 SELECTIVE SERVICE
- 875 CUSTOMER CHALLENGE 12 USC 3410
- 891 AGRICULTURAL ACTS
- 892 ECONOMIC STABILIZATION ACT
- 893 ENVIRONMENTAL MATTERS
- 894 ENERGY ALLOCATION ACT
- 895 FREEDOM OF INFORMATION ACT
- 900 APPEAL OF FEE DETERMINATION UNDER EQUAL ACCESS TO JUSTICE
- 950 CONSTITUTIONALITY OF STATE STATUTES
- 890 OTHER STATUTORY ACTIONS

**OTHER STATUTES - "8" MONTHS DISCOVERY TRACK**

- 410 ANTI TRUST
- 850 SECURITIES / COMMODITIES / EXCHANGE

**OTHER STATUTES - "0" MONTHS DISCOVERY TRACK**

- ARBITRATION (Confirm / Vacate / Order / Modify)

(Note: Mark underlying Nature of Suit as well)

**\* PLEASE NOTE DISCOVERY TRACK FOR EACH CASE TYPE. SEE LOCAL RULE 26.3**

**VII. REQUESTED IN COMPLAINT:**

CHECK IF CLASS ACTION UNDER F.R.Civ.P. 23 DEMAND \$ more than \$5 million

JURY DEMAND  YES  NO (CHECK YES ONLY IF DEMANDED IN COMPLAINT)

**VIII. RELATED/REFILED CASE(S) IF ANY**

JUDGE \_\_\_\_\_ DOCKET NO. \_\_\_\_\_

CIVIL CASES ARE DEEMED RELATED IF THE PENDING CASE INVOLVES: (CHECK APPROPRIATE BOX)

- 1. PROPERTY INCLUDED IN AN EARLIER NUMBERED PENDING SUIT.
- 2. SAME ISSUE OF FACT OR ARISES OUT OF THE SAME EVENT OR TRANSACTION INCLUDED IN AN EARLIER NUMBERED PENDING SUIT.
- 3. VALIDITY OR INFRINGEMENT OF THE SAME PATENT, COPYRIGHT OR TRADEMARK INCLUDED IN AN EARLIER NUMBERED PENDING SUIT.
- 4. APPEALS ARISING OUT OF THE SAME BANKRUPTCY CASE AND ANY CASE RELATED THERETO WHICH HAVE BEEN DECIDED BY THE SAME BANKRUPTCY JUDGE.
- 5. REPETITIVE CASES FILED BY PRO SE LITIGANTS.
- 6. COMPANION OR RELATED CASE TO CASE(S) BEING SIMULTANEOUSLY FILED (INCLUDE ABBREVIATED STYLE OF OTHER CASE(S)):

7. EITHER SAME OR ALL OF THE PARTIES AND ISSUES IN THIS CASE WERE PREVIOUSLY INVOLVED IN CASE NO. \_\_\_\_\_, WHICH WAS DISMISSED. This case  IS  IS NOT (check one box) SUBSTANTIALLY THE SAME CASE.

*Michael P. Deen*  
SIGNATURE OF ATTORNEY OF RECORD

9/25/09  
DATE