

**UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF GEORGIA
NEWNAN DIVISION**

**SECURITIES AND EXCHANGE
COMMISSION,**

Plaintiff,

v.

JOHN ROBERT JONES, JR.,

Defendant.

Civil Action File No.

COMPLAINT

Plaintiff Securities and Exchange Commission (“Commission”) alleges as follows:

SUMMARY

1. This case involves a fraudulent offering of securities by John Robert Jones, Jr. (“Defendant” or “Jones”), an investment adviser. From October 2017 to approximately December 2018, Jones fraudulently induced at least 24 investors to invest at least \$5.1 million in two private unregistered funds, falsely promising growth and safety with limited risk.

2. Jones founded and controlled two private funds -- PED Index Fund, L.P. (“PED”) and PED Index Fund A1, L.P. (“PED A1”) (collectively the “PED Funds”) that were Delaware limited partnerships formed in December 2016 and August 2017, respectively.

3. Beginning as early as October 2017, Jones misrepresented to potential investors in the PED Funds, among other things, that investor funds were protected such that investors could only lose 10-15% of their principal investment, that investors’ principal was insured, and that his investment strategy was created in concert with a national financial organization. None of these things were true. As a result, he gave investors the false impression that the investment opportunities that he offered would be lucrative and have the protection of quantifiable downside risk.

4. Jones’ scheme collapsed in December 2018. Jones’ trading strategy that month -- he increased the Funds’ exposure to S&P call options -- combined with a downturn in the stock market caused huge losses for his clients. Instead of limiting investors’ principal risk, Jones exposed investors to an average loss of 57%. Jones closed the PED Funds in late December 2018.

JURISDICTION AND VENUE

5. This Court has jurisdiction over this action pursuant to Section 20(b), 20(d)(1), and 22(a) of the Securities Act of 1933 (“Securities Act”), 15 U.S.C. §§

77t(b), 77t(d)(1), and 77v(a); Sections 21(d) and 27 of the Securities Exchange Act of 1934 (“Exchange Act”), 15 U.S.C. §§ 78u(d) and 78aa; and Sections 209(d) and 214(a) of the Investment Advisers Act of 1940 (“Advisers Act”), 15 U.S.C. §§ 80b-9(d) and 80b-14(a).

6. In connection with the transactions, acts, practices, and courses of business described in this Complaint, Jones, directly and indirectly, made use of the means or instrumentalities of interstate commerce, of the mails, and/or of the means and instruments of transportation or communication in interstate commerce.

7. Venue is proper in this district as Jones’ acts and transactions constituting violations of the federal securities laws occurred in this district. In addition, Jones transacted business in this district and resides in this district.

FACTS

A. Defendant

8. John Robert Jones, Jr. is a resident of Carrollton, Georgia. From 2002 to January 11, 2019, Jones was associated with several firms that he owned, including Astral Financial Group, LLC (2007-08), a registered broker-dealer, and Crown Jewel Concepts, LLC (2005-15) and Regalia Financial Advisors, LLC

(“Regalia”) (2015-19), both registered financial advisers. Jones held Series 6, 26, 28, and 65 licenses.

B. Related Entities

9. Regalia was a Florida limited liability company formed on March 31, 2015 and administratively dissolved on September 27, 2019. Regalia was registered with the state of Florida as an investment adviser from March 2015 until its registration was terminated on January 10, 2019. Regalia was the investment adviser for PED. Another entity, PED Capital Management, LLC (“PED Capital”) was PED’s general partner. Jones was the founder and managing member of Regalia and PED Capital.

10. Crown Jewel Capital Advisers, LLC (“Crown Jewel”) was a Florida limited liability company formed on April 8, 2015 and administratively dissolved on September 27, 2019. Crown Jewel has never been registered with the Commission or any securities regulator but served as investment adviser for PED A1. Another entity, Crown Jewel Capital Management, LLC was PED A1’s general partner. Jones was the founder and managing member of both Crown Jewel entities.

C. Jones Enticed and Solicited Investors through Material Misrepresentations

11. From October 2017 through approximately December 2018, Jones offered and sold limited partnership interests to investors in the PED Funds. Jones

augmented his oral pitches to investors with a Private Offering Memorandum (“POM”) for each PED Fund, written marketing materials and the PED Capital website.

12. The POMs for the PED Funds are identical in most material respects, namely that the “primary objective of the Partnership is income from dividends, [and] enriched growth of capital with enhanced protection of capital loss.” According to the POMs, the general partner for each PED Fund earned a 2% annual management fee plus 20% of any gains.

13. The PED A1 POM told investors that the Fund’s main objective was to seek “Enhanced Market Downside Protection,” and that “[t]he Fund seeks protection of capital utilizing insuring abilities of the markets preserving 85% to 95% of capital during any negative year including 2008.”

14. Jones used other written sales materials to solicit prospective investors falsely stressing that investors’ principal was protected. According to Jones’ sales materials:

- “PED Index Fund Investments are formulated to have 90% of your wealth safely secured”
- “[s]ecures against capital deterioration with 85% to 95% protected.”
- “the downside is totally quantified to a level most people dream of.”

- “[o]ne fund that can protect your wealth at a level of supreme safety (90% protected), participate in up markets at a [sic] 160% to 180% times the S&P 500” ... “using mechanical, mathematical procedure to ensure perpetuity.”
- “Protection of Capital utilizing insuring abilities of the markets”
- “[o]ur clients are Protected and Wealth Enhanced 24/7 and 365 days per year, every year....”

15. The PED Capital website told prospective investors that the PED fund offers protection stating “secures against capital deterioration with 88% to 92% capital protected 24/7.”

16. According to the PED A1 POM (and at least in one iteration of the PED Funds’ sales materials), Jones developed his investment practice in concert with a purported entity, the National Financial Research Laboratory.

17. Jones told prospective investors that their funds were protected using insurance. Jones made that claim to an investor telling the investor that his investment was “88% to 92% protected with S&P 500 insurance.” Jones claimed to another prospective investor that she could “not lose more than 15% and that was guaranteed because there was insurance with the Fund” and that “part of [her] investment money would go toward this insurance.”

18. These representations were false. As Jones knew, investors’ downside exposure was not limited to 10-15% loss of capital, the “National Financial Research

Laboratory” was non-existent -- Jones made it up -- and there was no insurance protecting the PED Funds investors.

D. Investor Purchases

19. Jones offered and sold limited partnership interests to investors in the PED Funds. Jones was the managing member of both Regalia and Crown Jewel, was the sole investment decision-maker, conducting all the Funds’ trading, and maintained control over their brokerage and bank accounts. The limited partners’ role was limited to investing money in the Funds. They had no control over the Funds’ activities and relied solely on Jones to generate profits. Accordingly, the limited partnership interests are investment contracts, and therefore securities, within the meaning of the Securities Act, the Exchange Act, and the Advisers Act.

20. The sales of interests in the PED Funds were not registered with the Commission. Although the PED Funds claimed to be relying on the exemption to registration under Regulation D, Rule 506, that exemption was inapplicable because: (a) neither fund took any steps to verify that the investors were accredited, and (b) with respect to PED A1, not all investors were accredited. At least 24 investors from Georgia and Alabama invested a total of \$5.1 million into the PED Funds.

E. The Aftermath – Closing of the PED Funds

21. Jones' trading strategy in December 2018 -- he increased the PED Funds' exposure to S&P call options -- combined with a downturn in the stock market caused huge losses for his clients in December 2018.

22. In December 2018, the PED Funds experienced, and realized, outsized losses equating to a decrease of between 48% and 66% based on investors' net contributions to the PED Funds (net of management fees and withdrawals).

23. In January 2019, the PED Funds sent investors a letter notifying them that the PED Funds had closed as of December 31, 2018, purportedly due to stock market volatility, interest rate and dividend decreases, and oil price declines resulting in "a negative impact on the Fund's ability to successfully execute its long term investment strategy."

24. Of the total approximately \$5.1 million Jones raised from investors, investors lost approximately \$2.6 million, or on average, 57%. As managing member of each of the PED Funds' investment adviser, Jones indirectly collected management fees totaling \$86,823 from September 2017 to December 2018.

COUNT I

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

25. Paragraphs 1 through 24 above are hereby realleged and are incorporated by reference.

26. No registration statement was filed or in effect with the Commission pursuant to the Securities Act with respect to the securities issued by the PED Funds as described in this Complaint, and no exemption from registration existed with respect to those securities.

27. From no later than October 2017 through at least December 2018, Jones, directly and indirectly:

- (a) made use of any means or instruments of transportation or communication in interstate commerce or of the mails to sell securities, through the use or medium of a prospectus or otherwise;
- (b) carried or caused to be carried securities through the mails or in interstate commerce, by any means or instruments of transportation, for the purpose of sale or delivery after sale; or
- (c) made use of any means or instruments of transportation or communication in interstate commerce or of the mails to offer to sell or offer to buy through the use of medium of any prospectus or otherwise any security,

without a registration statement having been filed or being in effect with the Commission as to such securities.

28. By reason of the foregoing Jones violated, and unless enjoined, is reasonably likely to continue to violate Sections 5(a) and 5(c) of the Securities Act [15 U.S.C. §§ 77e(a) and 77e(c)].

COUNT II

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

29. Paragraphs 1 through 24 above are hereby realleged and are incorporated by reference.

30. Between approximately October 2017 and December 2018, Jones, in the offer and sale of the securities described herein, by the use of means and instruments of transportation and communication in interstate commerce and by use of the mails, directly and indirectly, employed devices, schemes and artifices to defraud purchasers of such securities, all as more particularly described above.

31. Jones knowingly, intentionally, and/or recklessly engaged in the aforementioned devices, schemes and artifices to defraud.

32. While engaging in the course of conduct described above, Jones acted with scienter, that is, with an intent to deceive, manipulate or defraud or with a severe reckless disregard for the truth.

33. By reason of the foregoing, Jones directly and indirectly violated and, unless enjoined, is reasonably likely to continue to violate Section 17(a)(1) of the Securities Act [15 U.S.C. § 77q(a)(1)].

COUNT III

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

34. Paragraphs 1 through 24 above are hereby realleged and are incorporated by reference.

35. Between approximately October 2017 and December 2018, Jones, in the offer and sale of securities described herein, by use of means and instruments of transportation and communication in interstate commerce and by use of the mails, directly and indirectly, negligently:

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

36. By reason of the foregoing, Jones, directly and indirectly violated and, unless enjoined, is reasonably likely to continue to violate Sections 17(a)(2) and 17(a)(3) of the Securities Act [15 U.S.C. §§ 77q(a)(2) and 77q(a)(3)].

COUNT IV

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

37. Paragraphs 1 through 24 above are hereby realleged and are incorporated by reference.

38. Between approximately October 2017 and December 2018, Jones, in connection with the purchase and sale of securities described herein, by the use of the means and instrumentalities of interstate commerce and by use of the mails, directly and indirectly:

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

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

40. By reason of the foregoing, Jones, directly and indirectly violated and, unless enjoined, is reasonably likely to continue to violate Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5].

COUNT V

Fraud in Violation of Section 206(4) and Rule 206(4)-8(a)(1) of the Advisers Act [15 U.S.C. § 80b-6(4) & 17 C.F.R. § 275.206(4)-8(a)(1)]

41. Paragraphs 1 through 24 above are hereby realleged and are incorporated by reference.

42. Between approximately October 2017 and December 2018, Jones, for compensation, engaged in the business of directly advising the PED Funds as to the value of securities or as to the advisability of investing in, purchasing, or selling securities. Jones was therefore an “investment adviser” within the meaning of Section 202(a)(11) of the Advisers Act [15 U.S.C. § 80b-2(a)(11)].

43. The PED Funds were “pooled investment vehicles” within the meaning of Rule 206(4)-8(b) of the Advisers Act.

44. From approximately October 2017 and December 2018, Jones directly or indirectly negligently made untrue statements of material facts and omitted to state material facts necessary in order to make the statements made, in the light of

the circumstances under which they were made, not misleading, to investors or prospective investors in the PED Funds.

45. By reason of the foregoing, Jones violated, and, unless enjoined, is reasonably likely to continue to violate Section 206(4) of the Advisers Act [15 U.S.C. § 80b-6(4)], and Advisers Act Rule 206(4)-8(a)(1) [17 C.F.R. § 275.206(4)-8(a)(1)].

COUNT VI

Fraud in Violation of Section 206(4) and Rule 206(4)-8(a)(2) of the Advisers Act [15 U.S.C. § 80b-6(4) & 17 C.F.R. § 275.206(4)-8(a)(2)]

46. Paragraphs 1 through 24 and 42 through 43 above are hereby realleged and are incorporated by reference.

47. From approximately October 2017 and December 2018, Jones directly or indirectly negligently engaged in acts, practices, or course of business that were fraudulent, deceptive, or manipulative with respect to investors and/or prospective investors in the PED Funds.

48. By reason of the foregoing, Jones violated, and, unless enjoined, is reasonably likely to continue to violate Section 206(4) of the Advisers Act [15 U.S.C. § 80b-6(4)], and Advisers Act Rule 206(4)-8(a)(2) [17 C.F.R. § 275.206(4)-8(a)(2)].

PRAYER FOR RELIEF

WHEREFORE, the Commission respectfully prays for:

I.

Findings of fact and conclusions of law pursuant to Rule 52 of the Federal Rules of Civil Procedure, finding that Jones committed the violations alleged herein.

II.

A permanent injunction enjoining Jones from violating, directly or indirectly, or aiding and abetting violations of the laws and rules alleged in this complaint.

III.

An order requiring the disgorgement by Jones of all ill-gotten gains or unjust enrichment with prejudgment interest, to effect the remedial purposes of the federal securities laws.

IV.

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

V.

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

JURY TRIAL DEMAND

The Commission hereby demands a jury trial as to all issues so triable.

This 28th day of June, 2021.

/s/Andrew O. Schiff

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