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JAMES N. HATTEN, Clerk
By: *[Signature]*
Deputy Clerk

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF GEORGIA
ATLANTA DIVISION

SECURITIES AND EXCHANGE
COMMISSION,

Plaintiff,

v.

JONATHAN W. MIKULA,
JOHN B. CRADDOCK,
JW&P CONSULTING, LLC, and
NATIONS WARRANTY GROUP, INC.,

Defendants.

Civil Action No.

1 08-CV-3097

COMPLAINT FOR INJUNCTIVE RELIEF

It appears to Plaintiff, Securities and Exchange Commission ("Commission"), and it alleges, that:

OVERVIEW

1. This matter involves an unregistered offering of securities and fraudulent conduct by Jonathan W. Mikula ("Mikula"), John B. Craddock ("Craddock"), JW&P Consulting, LLC ("JW&P Consulting") and Nations

Warranty Group, Inc. (“Nations Warranty”). The securities are notes issued by Nations Warranty, which is controlled by Craddock and engages in the business of selling automobile warranties. Defendant Mikula is a recidivist securities law violator.

2. Between January 2008 and the present, Mikula and Craddock—acting individually or through Nations Warranty or JW&P Consulting—have used misrepresentations and omissions of material fact to offer and sell approximately \$2.8 million in short term promissory notes issued by Nations Warranty to approximately 120 investors. These notes were sold with terms of either 100 or 220 days, respectively, and promised rates of return of either 4% or 5% interest per month (or 12% or 35% for the notes’ terms).

3. Since initiation of the offering, a substantial number of these notes have been rolled over by investors and, as of August 31, 2008, at least \$2.5 million of investor funds remained outstanding.

4. Defendants have been representing to investors that Nations Warranty is a profitable company and that the principal and interest on the notes are

guaranteed. In fact, Nations Warranty has been losing money throughout 2008 and does not have sufficient assets to repay the outstanding principal and interest.

5. Defendants have also been representing that JW&P Consulting, which markets the notes, has evaluated the risks of the investments. Defendants have not disclosed that Mikula, who controls JW&P Consulting, was enjoined in 2007 in an action brought by the Commission for his role in promoting a Ponzi scheme.

VIOLATIONS

6. Defendants have engaged, and unless restrained and enjoined by this Court, will continue to engage in acts and practices that constitute and will constitute violations of Sections 5(a), 5(c), and 17(a) of the Securities Act of 1933 (“Securities Act”) [15 U.S.C. §§ 77e(a), 77e(c) and 77q(a)], Section 10(b) of the Securities Exchange Act of 1934 (“Exchange Act”) [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5] and, with respect to Mikula and JW&P Consulting, Section 15(a) of the Exchange Act [15 U.S.C. § 78o(a)].

JURISDICTION AND VENUE

7. The Commission brings this action pursuant to Sections 20 and 22 of the Securities Act [15 U.S.C. §§ 77t and 77v] and Sections 21(d) and 21(e) of the

Exchange Act [15 U.S.C. §§ 78u(d) and 78u(e)] to enjoin the Defendants from engaging in the transactions, acts, practices, and courses of business alleged in this Complaint, and transactions, acts, practices, and courses of business of similar purport and object, for civil penalties and for other equitable relief.

8. This Court has jurisdiction over this action pursuant to Section 22 of the Securities Act [15 U.S.C. § 77v] and Sections 21(d), 21(e) and 27 of the Exchange Act [15 U.S.C. §§ 78u(d), 78u(e) and 78aa].

9. Defendants, directly and indirectly, made use of the mails, the means and instruments of transportation and communication in interstate commerce and the means and instrumentalities of interstate commerce in connection with the transactions, acts, practices, and courses of business alleged in this Complaint.

10. Certain of the transactions, acts, practices, and courses of business constituting violations of the Securities Act and the Exchange Act occurred in the Northern District of Georgia. In addition, Craddock and Mikula reside in the Northern District of Georgia. Nations Warranty and JW&P Consulting maintain offices in the Northern District of Georgia.

THE DEFENDANTS

11. **Jonathan W. Mikula**, 23, of Woodstock, Georgia, is the sole owner and operator of JW&P Consulting. Mikula is a recidivist securities law violator, having consented in August 2007 to a permanent injunction against future violations of the registration and antifraud provisions of the federal securities laws related to an internet-based Ponzi scheme that he operated. See SEC v. Phoenixsurf.com, Civil Action No. CV 07-4765 JSL (PLAX) (C.D. Cal.), Lit. Rel. No. 20205 (July 24, 2007).

12. **JW&P Consulting, LLC** is a Georgia limited liability company based in Marietta, Georgia. Mikula formed JW&P Consulting in July 2007 and is its sole owner. Through JW&P Consulting, Mikula has offered and sold promissory note programs for Nations Warranty and three other Atlanta area businesses. JW&P Consulting occupies rent-free office space within Nations Warranty's leased offices. JW&P Consulting has never been registered with the Commission in any capacity.

13. **John B. Craddock**, 50, of Marietta, Georgia, is Chief Executive Officer and owner of 49% of the stock of Nations Warranty. He has never been registered with the Commission in any capacity.

14. **Nations Warranty Group, Inc.**, incorporated in Georgia in December 2004 and based in Marietta, Georgia, is an extended automobile warranty broker. Nations Warranty uses direct mail to solicit customers and sell extended car warranties to callers who respond to the direct mail solicitations. Nations Warranty has approximately 20 employees.

The Fraudulent Scheme

15. Nations Warranty has been brokering automobile warranties via direct mail marketing since approximately 2004. Nations Warranty purchases mailing lists and uses those lists to distribute large volumes of auto warranty solicitations via U.S. mail. In or around July 2007, Mikula purchased a 10% interest in Nations Warranty from Craddock for \$25,000.

16. In or around July 2007, around the same time he consented to a civil injunction in the Phoenixsurf.com matter, Mikula organized JW&P Consulting.

17. Through JW&P Consulting, Mikula immediately began consulting with Craddock on additional capital-raising methods intended to grow Nations Warranty's business. Mikula devised and introduced Craddock to the promissory note program that they ultimately instituted at Nations Warranty.

18. The Defendants began selling Nations Warranty promissory notes in approximately January 2008. The Defendants offered two types of notes. The "Standard Note" promised to pay investors interest of 4% every 30 days for a term of 100 days. The "Premier Note" promised to pay investors interest of 5% every 30 days for a term of 220 days. Investor principal was to be repaid with the final interest payment.

19. Investors could purchase notes with a face value of between \$1,000 and \$250,000 each calendar quarter. The program allowed rollovers of both principal and interest.

20. Nations Warranty told investors it would sell a maximum of \$1.5 million in notes each calendar quarter.

21. Mikula directed the marketing, sales, processing and servicing of the notes through JW&P Consulting in exchange for a commission of 10% to 15% of

the face value of all notes he sold. Mikula also recruited a network of approximately 25 “account managers” and “district managers” who referred investors to him in exchange for a 20% to 60% share of Mikula’s commission. By virtue of the foregoing activity, JW&P and Mikula were acting as securities brokers without being registered with the Commission.

22. Shortly after the program began, Craddock authorized and Mikula directed the creation of a 17-page PowerPoint presentation (the “PowerPoint Presentation”) that the Defendants used to market the notes. The PowerPoint Presentation, along with other marketing materials, was available on the websites of Nations Warranty and JW&P Consulting.

23. When an investor decided to purchase a Nations Warranty note, the investor would send funds by wire or check to Mikula or Craddock. The checks were deposited in Nations Warranty’s only bank account and thereby commingled with revenues from Nations Warranty’s business operations.

24. In return for their investment, investors received a three-page, nine-paragraph promissory note issued by Nations Warranty and signed by Craddock.

Interest was paid to investors every 30 days by Nations Warranty via a check signed by Craddock.

25. At the end of a note's term, the note would be rolled over or investor principal would be paid via a check signed by Craddock.

26. Between approximately January 1, 2008 and the present, Defendants fraudulently offered and sold at least 270 unregistered Nations Warranty promissory notes totaling over \$2.8 million to approximately 120 investors.

27. Since approximately January 1, 2008, Mikula has received from Nations Warranty commissions of at least \$335,000 from the sale of promissory notes, of which he retained at least \$182,000 and paid at least \$153,000 to the 25 "account managers" and "district managers."

28. Craddock has been paid a salary of approximately \$100,000 since January 1, 2008.

Misrepresentations and Omissions

29. Defendants, in their PowerPoint Presentation used to sell the investments and on their website, describe Nations Warranty as a profitable company. Defendants represented that:

- ***Finally, NWG offers what no one else will: They guarantee both your principal and your return in writing! Ask your banker or broker to match that.***
- ***Your principal and interest is Guaranteed . . .***
- ***Earn guaranteed money in 30 days? YES***

30. In fact, there was no guaranty of Nations Warranty ability to repay the notes. Further, Craddock and Mikula were aware throughout 2008 that Nations Warranty was not profitable and that Nations Warranty, in fact, suffered a net loss of at least \$1.2 million from January through the present. Despite that knowledge, Defendants continued to use the sales materials until at least August 2008. Defendants failed to disclose that Nations Warranty's liabilities from the notes exceeded its assets by approximately \$1 million as of August 31, 2008.

31. Mikula and Craddock falsely stated on Nations Warranty's website that Nations Warranty had the ability to raise capital through commercial bank loans, but preferred to raise capital through the promissory note program so that it could "network and build relationships" with individual note investors in the hope of their becoming Nations Warranty customers. In truth, Nations Warranty had applied for bank loans but had been turned down.

32. Defendants represented on Nations Warranty's website that JW&P Consulting had evaluated the risks of the Nations Warranty investment and found them acceptable. Defendants did not disclose that JW&P Consulting was controlled and operated by Mikula, who had recently been enjoined as the result of a Commission civil action alleging that he operated a Ponzi scheme. Mikula had advised Craddock about the injunction against him. Nor did Defendants disclose that Mikula, who controls JW&P Consulting, is a 10% owner of Nations Warranty.

33. Defendants' sales materials misleadingly created the impression that the rate of return on the notes was much higher than it actually was. In the PowerPoint Presentation, Mikula and Craddock claimed that the Nations Warranty notes paid a return of 112% for the 100 day note, and 135% for the 220 day note. In the same document, they further misrepresented the rates of return by claiming that Nations Warranty offered an annualized rate of return of either 148% or 160% and misleadingly comparing the return on the notes to the ten-year average "top Stock Market return" of 10.51% and the "highest paying Money Market Account" return of 5.2% per year. These statements grossly overstated the actual

rate of returns of 12% and 35% on the Nations Warranty notes. Assuming that the purported returns on the Nations Warranty notes included the return of principal, the statements were materially misleading in that the rates of return on equity and money market investments offered for comparison did not include the return of principal.

COUNT I—FRAUD

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

34. Paragraphs 1 through 33 are hereby realleged and incorporated herein by reference.

35. From in or about January 2008 through the present, Mikula, Craddock, JW&P Consulting and Nations Warranty, 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.

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

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

38. By reason of the foregoing, Defendants, directly and indirectly, have violated and, unless enjoined, will continue to violate Section 17(a)(1) of the Securities Act [15 U.S.C. § 77q(a)(1)].

COUNT II—FRAUD

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

39. Paragraphs 1 through 33 are hereby realleged and incorporated herein by reference.

40. From in or about January 2008 through the present, Mikula, Craddock, JW&P Consulting and Nations Warranty, in the offer and sale of the 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:

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.

41. By reason of the foregoing, Defendants, directly and indirectly, have violated and, unless enjoined, will 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 III—FRAUD

Violations of 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]

42. Paragraphs 1 through 33 are hereby realleged and incorporated herein by reference.

43. From in or about January 2008 through the present, Mikula, Craddock, JW&P Consulting and Nations Warranty, 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.

44. Defendants 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, Defendants acted with scienter, that is, with an intent to deceive, manipulate or defraud or with a severe reckless disregard for the truth.

45. By reason of the foregoing, Defendants, directly and indirectly, have violated and, unless enjoined, will 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 IV — UNREGISTERED OFFERING OF SECURITIES

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

46. Paragraphs 1 through 33 are restated and incorporated herein by reference.

47. No registration statement has been filed or is in effect with the Commission pursuant to the Securities Act and no exemption from registration exists with respect to the transactions described herein.

48. From at least January 2008, Mikula, Craddock, JW&P Consulting and Nations Warranty, singly and in concert, have:

(a) made use of the 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 securities or caused such securities to be carried through the mails or in interstate commerce, by any means or instruments of transportation, for the purpose of sale or for delivery after sale; and

(c) made use of the means or instruments of transportation or communication in interstate commerce or of the mails to offer to sell or offer to buy securities, through the use or medium of any prospectus or otherwise, without a registration statement having been filed with the Commission as to such securities.

49. By reason of the foregoing, Defendants, directly and indirectly, singly and in concert, have violated Sections 5(a) and 5(c) of the Securities Act [15 U.S.C. §§ 77e(a) and 77e(c)].

COUNT V

EFFECTING SECURITIES TRANSACTIONS FOR THE ACCOUNTS OF OTHERS WITHOUT BEING REGISTERED WITH THE COMMISSION AS A BROKER-DEALER

Violations of Section 15(a) of the Exchange Act [15 U.S.C. § 78o(a)]

50. Paragraphs 1 through 33 are hereby restated and incorporated herein by reference.

51. From approximately January 2008 through the present, Mikula and JW&P Consulting have been using the mails and the means and instrumentalities of interstate commerce to effect transactions in, or induce or attempt to induce the purchase or sale of securities, without registering with the Commission as a broker, as more particularly described above.

52. By reason of the transactions, acts, omissions, practices and courses of business set forth above, Mikula and JW&P Consulting have violated, and unless enjoined will violate, Section 15(a) of the Exchange Act [15 U.S.C. § 78o(a)].

PRAYER FOR RELIEF

WHEREFORE, Plaintiff 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 the Defendants named herein committed the violations alleged herein.

II.

A temporary restraining order, preliminary and permanent injunctions enjoining the Defendants, their officers, agents, servants, employees, and attorneys, and those persons in active concert or participation with them who receive actual notice of the order of injunction, by personal service or otherwise, and each of them, from violating, directly or indirectly, Sections 5(a), 5(c) and 17(a) of the Securities Act [15 U.S.C. §§ 77e(a), 77e(c) and 77q(a)], Section 10(b) of the Exchange Act [15 U.S.C. §§ 78j(b)] and Rule 10b-5 [17 C.F.R. 240.10b-5] promulgated thereunder, and with respect to Mikula and JW&P Consulting, Section 15(a) of the Exchange Act [15 U.S.C. § 78o(a)].

III.

An order requiring an accounting of the use of proceeds of the sales of the securities described in this Complaint and the disgorgement by the Defendants of all ill-gotten gains or unjust enrichment with prejudgment interest, to effect the remedial purposes of the federal securities laws.

IV.

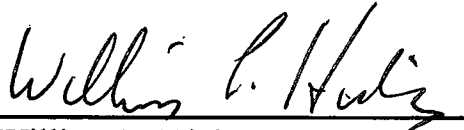
An order pursuant to Section 20(d) of the Securities Act [15 U.S.C. § 77t(d)] and Section 21(d)(3) of the Exchange Act [15 U.S.C. § 78u(d)(3)] imposing civil penalties against the Defendants.

V.

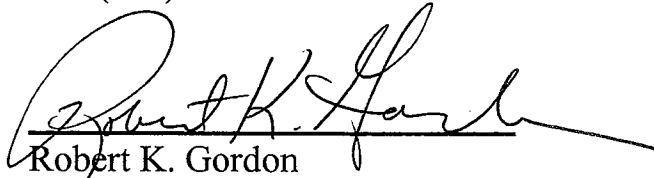
Such other and further relief as this Court may deem just, equitable, and appropriate in connection with the enforcement of the federal securities laws and for the protection of investors.

Dated this 2nd day of *October*, 2008.

Respectfully submitted,



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