

ORIGINAL

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

JUN 8 2004
By: J. Motz

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

Civil Action
File No.

v.

JOHN P. MILLER,

1:04-CV 1655

Defendant.

JEC

COMPLAINT FOR RELIEF

The Securities and Exchange Commission ("Commission") files this
Complaint for Relief and alleges as follows:

INTRODUCTION

1. In 1999, Defendant John P. Miller ("Miller") devised a scheme to
overstate earnings for Master Graphics, Inc. ("Master Graphics" or the
"Company"), a now-defunct publicly traded printing company.

2. Miller was the Chairman of the Board of Directors, President, Chief
Executive Officer ("CEO") and majority shareholder of Master Graphics at
the time of the events in question.

3. At Miller's direction, Master Graphics reclassified as assets certain
rent and salary expenses during the second quarter of 1999 that

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already paid to its division presidents in the first quarter of 1999. Master Graphics reclassified these expenses to assets such as prepaid expenses and accounts receivable.

4. This reclassification increased fraudulently the Company's reported net income for the first quarter by \$633,000 and understated its reported net losses for the second and third quarters of 1999 by the same amount.

5. As a result of his conduct, Miller has engaged in, and unless restrained and enjoined by this Court, will continue to engage in, acts and practices that violate and or aid and abet violations of Section 17(a) of the Securities Act of 1933 ("Securities Act") [15 U.S.C. § 77q(a)] and Sections 10(b), 13(a), 13(b)(2)(A) and 13(b)(5) of the Securities Exchange Act of 1934 ("Exchange Act") [15 U.S.C. §§ 78j(b), 78m(a), 78m(b)(2)(A) and 78m(b)(5)] and Rules 10b-5, 12b-20, 13a-13 and 13b2-1 thereunder [17 C.F.R. §§ 240.10b-5, 240.12b-20, 240.13a-13 and 240.13b2-1].

JURISDICTION AND VENUE

6. This Court has jurisdiction over this action pursuant to Sections 20(b) and 22(a) of the Securities Act [15 U.S.C. §§ 77t(b) and 77v] and Sections 21(d), 21(e), and 27 of the Exchange Act [15 U.S.C. §§ 78u(d), 78u(e) and 78aa].

7. Venue is proper in this district pursuant to 28 U.S.C. § 1391(b)(1) and (2); Section 22(a) of the Securities Act [15 U.S.C. § 77v(a)]; and Section 27 of the Exchange Act [15 U.S.C. § 78aa]. Certain of the actions set forth herein occurred within this district.

8. Miller, directly and indirectly, has 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.

THE DEFENDANT

9. John P. Miller, 49, of Memphis, Tennessee, was the Chairman, Chief Executive Officer, President and majority shareholder of Master Graphics, Inc. at the time of the events described herein. Miller resigned from all of his positions at Master Graphics by the beginning of January 2000.

ISSUER INVOLVED

10. Master Graphics was a Tennessee corporation that operated as a commercial printing company with its business address in Memphis, Tennessee and its executive offices in Cordova, Tennessee during the time of the events in question. The Company's stock was registered with the

Commission pursuant to Section 12(g) of the Exchange Act and was traded on the NASDAQ National Market System. Master Graphics filed a reorganization petition under Chapter 11 of the Bankruptcy Code on July 7, 2000. In March 2001, Master Graphics became a privately held company and made a filing with the Commission to deregister its common stock. The Company was administratively dissolved by the State of Tennessee on September 20, 2002.

11. From June 1997 through July 1999, Master Graphics acquired nineteen printing companies located throughout the United States. The acquired companies operated as separate unincorporated divisions of the Company while their former owners became employees of Master Graphics as presidents of these divisions.

MILLER'S SCHEME TO FRAUDULENTLY INFLATE EARNINGS

12. In or around April 1999, Miller realized that Master Graphics would not meet analysts' expectations for earnings for the first quarter ended March 31, 1999.

13. Miller devised a scheme specifically designed to manipulate the earnings for that quarter, which had just ended, so that the Company would meet expected earnings.

14. As a pretext for this scheme, Miller presented a plan to the division presidents under which their salaries would purportedly be paid on an incentive or performance basis. If a division did not perform as expected, the division president would not receive his full salary.

15. As a further pretext for Miller's scheme, the Company would also purportedly pay its rent obligations to certain division presidents on an incentive basis. Master Graphics owed rent to certain divisions because, when it acquired various printing businesses and made them divisions, the divisions retained their printing plants and Master Graphics leased the plants from the divisions.

16. Instead of applying this plan on a going-forward basis, Miller instructed Master Graphics' officers to reclassify from expenses to assets the salaries and rents that Master Graphics had already paid to the division presidents during the first quarter of 1999, which had already ended.

17. At Miller's direction, Master Graphics reclassified in its accounting records the rents and salaries already paid to the division presidents during the first quarter as draws on future salaries and rents. The division presidents would purportedly repay these draws at some future date if their divisions did not meet earnings goals.

18. Miller's plan changed the accounting for these expenses on the Company's financial statements by removing current expenses from the income statement for the first quarter, thus boosting income, and adding equivalent amounts of prepaid expenses or receivables as assets on the balance sheet.

19. Miller never intended for Master Graphics' division presidents to repay the amounts of the rents and salaries that they supposedly owed to the Company. According to another Master Graphics officer, Miller advised the division presidents that, "[S]hould the group not meet the [earnings] targets during the year, we would look to find a way that the presidents would not have to repay the cash."

20. Miller's plan did not conform to generally accepted accounting principles ("GAAP") because it retroactively reduced Master Graphics' historical costs of doing business, falsely classified the expenses involved, and improperly inflated income.

21. Master Graphics discontinued this scheme after the first quarter of 1999, but did not correct its accounting books and records during 1999.

**MILLER'S SCHEME MATERIALLY OVERSTATES
MASTER GRAPHICS' NET INCOME**

22. Master Graphics reported net income of \$753,000 in its Form 10-Q

quarterly report filed with the Commission for the first quarter of 1999. Had Miller not directed Master Graphics to reclassify salary and rent expenses, the Company would have reported net income of only \$120,000, or \$633,000 less. Miller's scheme thus caused the Company fraudulently to overstate net income by 628%.

23. But for the fraudulent overstatement of net income, Master Graphics would not have met the expectations of securities analysts that the Company would earn \$.09 per share in the first quarter of 1999.

24. Master Graphics incorporated by reference the financial statements reporting the fraudulently inflated net income for the first quarter of 1999 in a Form S-8 registration statement filed by the Company with the Commission in June 1999.

25. Miller signed this registration statement when he knew, or was severely reckless in not knowing, that the incorporated net income figure was materially incorrect because the reclassified rents and salaries overstated the Company's net income.

26. The fraudulent overstatement of net income remained on Master Graphics' accounting books and records during the second and third quarters of 1999. In its Form 10-Q filed with the Commission for the second quarter

of 1999, Master Graphics reported a net loss of \$1,369,000. Had Master Graphics not fraudulently reclassified salary and rent expenses at Miller's direction, the Company would have reported a \$2,002,000 net loss. Master Graphic thus understated its true net loss by \$633,000 or 46%.

27. In its Form 10-Q filed with the Commission for the third quarter of 1999, Master Graphics reported a net loss of \$6,538,000. Had Master Graphics not fraudulently reclassified salary and rent expenses at Miller's direction, the Company would have reported a \$7,171,000 net loss. Master Graphic thus understated its true net loss by \$633,000 or 10%.

28. Master Graphics' outside auditors discovered the fraudulent reclassification of the first quarter rents and salaries during its fieldwork for the audit of Master Graphics' 1999 year-end financial statements. The outside auditors directed the Company to restate its financial results to correct the reclassifications and certain other items. Accordingly, in April 2000, Master Graphics filed amended Forms 10-Q for the first, second and third quarters of 1999.

**MILLER GAINS THROUGH HIS SCHEME TO INFLATE
EARNINGS**

29. In 1999, Miller owned approximately 52% of the outstanding shares of Master Graphics and had taken out a margin loan against the value of

these shares from his brokerage firm. The margin agreement provided that if the price of Master Graphics' shares dropped below a certain level, the brokerage firm could call in the loan.

30. By causing Master Graphics to report earnings per share that met expectations of securities analysts for the first quarter, Miller's plan supported the price of the Company's stock and allowed him to avoid a margin call on his Master Graphics shares.

31. During the latter part of 1999, Master Graphics' stock price continued to decline and eventually Miller's brokerage firm sold his shares to repay his margin debt.

32. Miller's scheme to inflate earnings allowed him to reduce the loss on his Master Graphics stock. Had Miller not directed Master Graphics to overstate earnings fraudulently, thereby inflating artificially the market price for the Company's stock, he would have had to liquidate his stock at lower prices.

33. Miller also received salary from Master Graphics, which compensated him in part for the fraudulent scheme to inflate Master Graphics earnings.

CLAIMS FOR RELIEF

COUNT I-FRAUD

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

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

35. Miller, in connection with the offer or sale of securities described herein, by the use of the means and instruments of interstate commerce and by use of the mails, directly and indirectly:

(a) employed devices, schemes, or artifices to defraud;

(b) obtained money or property by means of untrue statements of material facts or omissions of material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; or

(c) engaged in transactions, practices, or courses of business which operated or would operate as a fraud or deceit upon the purchasers of securities, all as more particularly described in the paragraphs above.

36. Miller knowingly, intentionally, and/or with severe recklessness engaged in the aforementioned devices, schemes and artifices to defraud. In engaging in such conduct, Miller acted with scienter, that is, with an intent

to deceive, manipulate or defraud or with a severe reckless disregard for the truth.

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

COUNT II--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]

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

39. Miller, in connection with the purchase or 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 in the paragraphs above.

40. Miller knowingly, intentionally, and/or with severe recklessness 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, Miller acted with scienter, that is, with an intent to deceive, manipulate or defraud or with a severe reckless disregard for the truth.

41. By reason of the foregoing, defendant Miller, directly and indirectly, violated and unless restrained and 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 III-INTERNAL ACCOUNTING CONTROLS

Violations of Section 13(b)(5) of the Exchange Act [15 U.S.C. § 78m(b)(5)] and Rule 13b2-1 thereunder [17 C.F.R. § 240.13b2-1]

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

43. Section 13(b)(2)(A) of the Exchange Act [15 U.S.C. §§ 78m(b)(2)(A)] requires issuers such as Master Graphics to make and keep accounting books, records, and accounts, which, in reasonable detail, accurately and fairly reflected the transactions and dispositions of their assets.

44. Section 13(b)(5) of the Exchange Act prohibits any person from knowingly circumventing or knowingly failing to implement a system of internal accounting controls or knowingly falsifying any accounting book, record, or account required by Section 13(b)(2)(A) of the Exchange Act. Rule 13b2-1 of the Exchange Act prohibits any person from directly or indirectly falsifying or causing the falsification of any such accounting books, records or accounts.

45. Through the conduct described above, defendant Miller violated, directly and indirectly, and, unless restrained and enjoined, will continue to violate Section 13(b)(5) and Rule 13b2-1.

COUNT IV-AIDING AND ABETTING REPORTING PROVISIONS

Aiding and Abetting Master Graphics' Violations of Section 13(a) of the Exchange Act [15 U.S.C. § 78m(a)] and Rules 12b-20 and 13a-13 thereunder [17 C.F.R. §§ 240.12b-20 and 240.13a-13]

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

47. Miller aided and abetted Master Graphics' violations of Section 13(a) of the Exchange Act [15 U.S.C. § 78m(a)] and Rules 12b-20 and 13a-13 thereunder [17 C.F.R. §§ 240.12-20 and 240.13a-13].

48. The underlying violations occurred when Master Graphics filed periodic reports that contained financial statements that were not prepared in conformity with GAAP and contained material misstatements.

49. Through the conduct described above, Miller aided and abetted and, unless enjoined, will continue to aid and abet violations of Section 13(a) of the Exchange Act and Rules 12b-20 and 13a-13 thereunder.

COUNT V-AIDING AND ABETTING BOOKS AND RECORDS

PROVISIONS

Aiding and Abetting Master Graphics' Violations of Section 13(b)(2)(A) of the Exchange Act [15 U.S.C. § 78m(b)(2)(A)]

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

51. Miller aided and abetted Master Graphics' violations of Section 13(b)(2)(A) of the Exchange Act [15 U.S.C. § 78m(b)(2)(A)], which occurred when Master Graphics, as an issuer of securities, failed to make and keep accounting books, records and accounts which accurately and fairly reflected its transactions and the dispositions of its assets.

52. Through the conduct described above, Miller aided and abetted and, unless restrained and enjoined, will continue to aid and abet violations of Section 13(b)(2)(A) of the Exchange Act.

PRAYER FOR RELIEF

WHEREFORE, Plaintiff Commission, respectfully prays that the Court:

I.

Make findings of fact and conclusions of law in accordance with Rule 52 of the Federal Rules of Civil Procedure.

II.

Issue a permanent injunction enjoining Miller and his agents, servants, employees, attorneys, and all persons in active concert or participation with them who receive actual notice of the order by personal service or otherwise, and each of them:

(a) from violating Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)];

(b) from violating 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];

- (c) from violating Section 13(b)(5) of the Exchange Act [15 U.S.C. § 78m(b)(5)] and Rule 13b2-1 thereunder [17 C.F.R. § 240.13b2-1];
- (d) from aiding and abetting violations of Section 13(a) of the Exchange Act [15 U.S.C. §§ 78m(a)] and Rules 12b-20 and 13a-13 thereunder [17 C.F.R. §§ 240.12b-20 and 240.13a-13];
and
- (e) from aiding and abetting violations of Section 13(b)(2)(A) of the Exchange Act [15 U.S.C. §§ 78m(b)(2)(A)].

III.

Issue an Order pursuant to Section 20(e) of the Securities Act [15 U.S.C. § 77t(e)] and Section 21(d)(2) of the Exchange Act [15 U.S.C. § 78u(d)(2)] prohibiting defendant Miller from acting as an officer or director of any issuer that has a class of securities registered with the Commission pursuant to Section 12 of the Exchange Act [15 U.S.C. § 78l] or that is required to file reports with the Commission pursuant to Section 15(d) of the Exchange Act [15 U.S.C. § 78o(d)].

IV

Issue an Order requiring Miller to disgorge any ill-gotten gains received as a result of the conduct described herein, together with prejudgment interest.

V.

Issue an Order requiring Miller, 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)], to pay civil monetary penalties.

VI.

Retain jurisdiction over this action in order to implement and carry out the terms of all orders and decrees that may have been entered or to entertain any suitable application or motion by the Commission for additional relief within the jurisdiction of this Court.

VII.

Grant such other and further relief as may be necessary and appropriate.

ORIGINAL

UNITED STATES DISTRICT COURT

NORTHERN DISTRICT OF GEORGIA

ATLANTA DIVISION

Securities and Exchange Commission,

SUMMONS IN A CIVIL CASE

Plaintiff,

V.

CASE NUMBER: 1 04 - C V 1655

John P. Miller,

Defendant.

**TO: John P. Miller
5996 Manor Cove
Memphis, Tennessee 38120
Tel. No. (901) 680-0019**

YOU ARE HEREBY SUMMONED and required to serve upon PLAINTIFF'S ATTORNEY (name and address)

**M. Graham Loomis, Esq.
Securities and Exchange Commission
3475 Lenox Road, N.E., Suite 1000
Atlanta, GA 30326-1232**

an answer to the complaint which is herewith served upon you, within 20 days after service of this summons upon you, exclusive of the day of service. If you fail to do so, judgment by default will be taken against you for the relief demanded in the complaint. You must also file your answer with the Clerk of this Court within a reasonable period of time after service.

LUTHER D. THOMAS

CLERK



(BY) DEPUTY CLERK

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JUN 8 2004
DATE



U.S. SECURITIES AND EXCHANGE COMMISSION
ATLANTA DISTRICT OFFICE
Suite 1000, 3475 Lenox Road, N. E.
Atlanta, Georgia 30326-1232

RECEIVED IN CLERK'S OFFICE
U.S.D.C. - Atlanta

Myra Kucera, Paralegal Specialist

JUN 08 2004

Direct Line: (404) 842-76.
Facsimile Line: (404) 842-76.

June 7, 2004

LUTHER D. THOMAS, Clerk
By: *[Signature]*

VIA FEDERAL EXPRESS

Luther D. Thomas, Clerk
United States District Court
Northern District of Georgia
75 Spring Street, S.W., 22nd Floor
Atlanta, Georgia 30303

Re: Securities and Exchange Commission v **1 04-CV 1655**
John P. Miller, Civil Action File No. _____

Dear Mr. Thomas:

In reference to the above-captioned case, please find an original and photocopies of each of the following documents:

- (1) Original and two photocopies of Complaint For Relief;**
- (2) Original and three photocopies of the Summons for defendant; and**
- (3) Original and two photocopies of a Civil Cover Sheet.**

We request that you file the original and one photocopy of the Complaint and Civil Cover Sheet with the Court, and stamp and file the necessary number of copies of the Summons, and return all filed and stamped copies to us in the self-addressed Fed-Ex envelope which I have provided for your convenience.

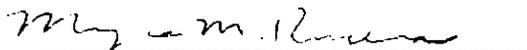
No fees are due for filings by a federal agency.

Request for Notices

June 7, 2004
pa

Thank you for your cooperation in this matter. Should you have any questions on this matter, please do not hesitate to contact me at (404) 842-7624.

Sincerely,



Myra M. Kucera
Paralegal Specialist

Enclosures