

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 70938 / November 25, 2013

INVESTMENT ADVISERS ACT OF 1940
Release No. 3724 / November 25, 2013

ADMINISTRATIVE PROCEEDING
File No. 3-15623

In the Matter of

JOHN R. GRAVES,

Respondent.

**ORDER INSTITUTING
ADMINISTRATIVE PROCEEDINGS
PURSUANT TO SECTION 15(b) OF
THE SECURITIES EXCHANGE ACT
OF 1934 AND SECTION 203(f) OF THE
INVESTMENT ADVISERS ACT OF
1940, MAKING FINDINGS, AND
IMPOSING REMEDIAL SANCTIONS**

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative proceedings be, and hereby are, instituted pursuant to Section 15(b) of the Securities Exchange Act of 1934 (“Exchange Act”) and Section 203(f) of the Investment Advisers Act of 1940 (“Advisers Act”) against John R. Graves (“Respondent”).

II.

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the “Offer”) which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over him and the subject matter of these proceedings and the findings contained in Section III.2 below, which are admitted, Respondent consents to the entry of this Order Instituting Administrative Proceedings Pursuant to Section 15(b)

of the Securities Exchange Act of 1934 and Section 203(f) of the Investment Advisers Act of 1940, Making Findings, and Imposing Remedial Sanctions (“Order”), as set forth below.

III.

On the basis of this Order and Respondent’s Offer, the Commission finds that:

1. Graves, age 54, resides in Oakdale, Louisiana. From approximately August 2009 to December 2009 (“relevant period”), Graves was the Vice President of Business Development at AIC, Inc. (“AIC”), a privately-held holding company based in Richmond, Virginia. During the relevant period, he was also a registered representative associated with Community Bankers Securities, LLC, an AIC subsidiary and broker-dealer registered with the Commission. During the relevant period, he held Series 4, 6, 7, 24, 26, 53, and 65 securities licenses. In addition, he was the President of Compass Financial Advisors, LLC, an investment advisory firm registered with the Commission.

2. On September 9, 2013, a final judgment was entered by consent against Graves, permanently enjoining him from future violations of Sections 5(a), 5(c), and 17(a) of the Securities Act of 1933, Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, and Sections 206(1) and 206(2) of the Advisers Act, in the civil action entitled Securities and Exchange Commission v. AIC, Inc. et al., Civil Action Number 3:11-cv-00176, in the United States District Court for the Eastern District of Tennessee.

3. The Commission’s complaint (including as amended, and referred to together as the “complaint”) alleged, among other things, that in connection with the sale of AIC preferred stock and promissory notes, Graves knew or was reckless in not knowing that he misrepresented and omitted material information concerning the safety and risks associated with the investments and the financial condition of AIC to investors, including his brokerage customers and investment advisory clients. Among other things, and as alleged in the complaint, Graves failed to disclose that he had a personal financial interest in AIC and, despite the fact that he believed AIC was a speculative investment, did not disclose that fact to investors. The complaint also alleged that Graves sold unregistered securities.

IV.

In view of the foregoing, the Commission deems it appropriate and in the public interest to impose the sanctions agreed to in Respondent Graves’s Offer.

Accordingly, it is hereby ORDERED pursuant to Section 15(b)(6) of the Exchange Act and Section 203(f) of the Advisers Act that Respondent Graves be, and hereby is:

barred from association with any broker, dealer, investment adviser, municipal securities dealer, or transfer agent; and barred from participating in any offering of a penny stock, including: acting as a promoter, finder, consultant, agent or other person who engages in

activities with a broker, dealer or issuer for purposes of the issuance or trading in any penny stock, or inducing or attempting to induce the purchase or sale of any penny stock.

Any reapplication for association by the Respondent will be subject to the applicable laws and regulations governing the reentry process, and reentry may be conditioned upon a number of factors, including, but not limited to, the satisfaction of any or all of the following: (a) any disgorgement ordered against the Respondent, whether or not the Commission has fully or partially waived payment of such disgorgement; (b) any arbitration award related to the conduct that served as the basis for the Commission order; (c) any self-regulatory organization arbitration award to a customer, whether or not related to the conduct that served as the basis for the Commission order; and (d) any restitution order by a self-regulatory organization, whether or not related to the conduct that served as the basis for the Commission order.

By the Commission.

Elizabeth M. Murphy
Secretary