

UNITED STATES DISTRICT COURT  
DISTRICT OF MASSACHUSETTS

<hr/>		)	
SECURITIES AND EXCHANGE		)	
COMMISSION,		)	
		)	
	Plaintiff,	)	
		)	
	v.	)	C. A. No.
		)	
JBI, INC.,		)	
JOHN W. BORDYNUIK, and		)	
RONALD BALDWIN, JR.,		)	JURY TRIAL DEMANDED
		)	
	Defendants.	)	
<hr/>		)	

**COMPLAINT**

Plaintiff Securities and Exchange Commission (the “Commission” or “SEC”) alleges the following against defendants JBI, Inc. (“JBI”), John W. Bordynuik (“Bordynuik”) and Ronald Baldwin (“Baldwin”) and collectively (“Defendants”):

**SUMMARY**

1. Defendants engaged in a scheme to commit securities and accounting fraud by stating materially false and inaccurate financial information on the financial statements of JBI, Inc. for two reporting periods during 2009. Specifically, the Defendants misrepresented and overstated the actual value of JBI’s assets and, hence, of the company itself by almost 1,000%. The Defendants then used the overvalued financial statements in two private capital raising efforts (Private Investment in Public Equity or PIPES) that raised more than \$8.4 million from unwitting investors.

2. At all relevant times, JBI purported to be a technology company focused on data restoration and recovery and environmentally engineered product development. JBI is

purportedly involved in the research and development of a process designed to convert plastic waste into oil, known as “Plastic2Oil” or “P2O”. JBI is a publicly-traded company that files periodic reports with the Securities and Exchange Commission that includes its financial statements. During the third quarter of 2009 and the year end 2009, JBI materially overstated certain assets in an effort to bolster its balance sheet. Specifically, in its financials JBI listed media credits purchased by the company for \$1,000,000 in common stock as having a value of \$9,997,134, which made the media credits the single largest asset on JBI’s balance sheet.

3. The almost 1,000 % overvaluation of the media credits substantially misrepresented the actual value of JBI’s assets and, hence, of the company itself. The Defendants then used the overvalued financial statements in two private capital raising efforts (Private Investment in Public Equity or PIPES) geared toward raising the capital necessary to begin commercial operation and production of P2O. JBI raised over \$8.4 million for the company in these PIPES relying on misrepresentations to investors about the company’s assets and valuation. Shortly after obtaining the approximately \$8.4 million in financing the company issued a public statement indicating its financial statements could no longer be relied upon due, in part, to the erroneous valuation of certain assets on the balance sheet (i.e., the media credits, among other things).

4. By engaging in the conduct alleged herein, JBI violated Section 17(a) of the Securities Act of 1933 (“Securities Act”) and Sections 10(b), 13(a), 13(b)(2)(A), 13(b)(2)(B) and 13(b)(5) of the Securities Exchange Act of 1934 (“Exchange Act”) and Rules 10b-5, 12b-20, 13a-1, 13a-11 and 13a-13 thereunder.

5. By engaging in the conduct alleged herein, Bordynuik violated Sections 17(a) of the Securities Act, Section 10(b) of the Exchange Act and Rule 10b-5, and Section 13(b)(5) of

the Exchange Act and Rules 13b2-1 and 13b2-2 thereunder, and Rule 13a-14. In addition, by engaging in the conduct alleged herein, Baldwin violated Sections 17(a) of the Securities Act, Section 10(b) of the Exchange Act and Rule 10b-5, and Section 13(b)(5) of the Exchange Act and Rule 13b2-1 thereunder, and Rule 13a-14. Furthermore, Bordynuik and Baldwin aided and abetted JBI's violations of Sections 10(b), 13(a), 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act and Rules 10b-5, 12b-20 and 13a-1, thereunder, and, as to Bordynuik only, Rule 13a-11 thereunder.

6. Based on these violations, the Commission seeks the following relief against the Defendants: (i) entry of permanent injunctions prohibiting all Defendants from engaging in future violations of the sections of the securities laws that they have violated in connection with the conduct described herein; (ii) an order requiring all Defendants to disgorge their ill-gotten gains and pay pre-judgment interest; (iii) an order requiring all Defendants to pay appropriate civil monetary penalties; and, (iv) an order barring Bordynuik and Baldwin, respectively, from serving as officers or directors of a public company.

### **JURISDICTION AND VENUE**

7. The Commission brings this action pursuant to the enforcement authority conferred upon it by Section 20(b) of the Securities Act [15 U.S.C. §77t(b)] and Section 21(d) of the Exchange Act [15 U.S.C. §§78u(d)]. This Court has jurisdiction over this action pursuant to 28 U.S.C. §1331, Section 22(a) of the Securities Act [15 U.S.C. §77v(a)], and Sections 21(e) and 27 of the Exchange Act [15 U.S.C. §§78u(e) and 78aa].

8. Venue is proper in this district pursuant to 28 U.S.C. §1391(b)(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] because at all relevant times the Defendants transacted business in the District of Massachusetts,

which also was the principal place of business of JBI for a portion of the relevant period set out in this Complaint, and because a substantial part of the acts constituting the alleged violations occurred in the District of Massachusetts.

9. In connection with the conduct alleged in this Complaint, Defendants directly or indirectly made use of the means or instruments of transportation or communication in interstate commerce, the facilities of a national securities exchange, or the mails.

10. Unless enjoined, Defendants will continue to engage in the securities law violations alleged herein, or in similar conduct that would violate the federal securities laws.

### **DEFENDANTS**

11. JBI, Inc. is a Nevada corporation, with a principal place of business in Cambridge, MA for a portion of the relevant period and now has a principal place of business in Thorhold, Ontario, Canada, with operations in New York, Florida, Ohio and Pennsylvania. JBI purports to be a technology company focused on data restoration and recovery and environmentally engineered product development. JBI is quoted on the OTC Bulletin Board (JBII.PK). JBI formerly was known as 310 Holdings, Inc., and has been a SEC reporting company since 2006. JBI's fiscal year ends December 31 and the quarter ending September 30 is its third fiscal quarter.

12. John W. Bordynuik, age 41, is an individual residing in Niagara Falls, Ontario, Canada. At all times during the relevant period Bordynuik functioned as both the CEO of JBI, and for portions of the relevant period he also functioned as the company's CFO.

13. Ronald Baldwin, Jr., age 52, is an individual residing in Palm Harbor, Florida. Baldwin has been a licensed certified public accountant in Florida since 1996 and an attorney and member of the Florida Bar since 2001, although his law license has been suspended since

October 31, 2009. On January 1, 2010, Baldwin was appointed CFO of JBI. Baldwin resigned from the company effective March 28, 2011. Baldwin's termination was reported on a Form 8-K by JBI on April 14, 2011.

## **FACTUAL ALLEGATIONS**

### **Bordynuik and the Formation of JBI**

14. In 2005 Bordynuik started a data recovery and restoration company in Canada called John Bordynuik, Inc. He did so after purportedly developing software that would enable him to recover archived institutional data stored on old magnetic media. In time, and through a series of transactions, John Bordynuik, Inc. would become JBI, Inc. (JBI). At all times during the existence of John Bordynuik, Inc., and its successor entities, Bordynuik headed the company's business operations, including third party transactions. During its first years of business the company had several large institutional clients that had large volumes of archived data no longer accessible due to the aged mediums on which the data was stored. In the process of compiling a massive archive of recovered scientific and research data from these institutions, Bordynuik claimed to have found a catalyst that could be utilized to break down unwashed mixed plastics into liquid hydrocarbons (*i.e.*, oil). Bordynuik continued his data recovery business and began research and development of technology to develop a commercial processor capable of converting waste plastic into oil with the use of the catalyst.

15. On or about April 24, 2009, Bordynuik acquired a majority interest in and became the CEO and CFO of an existing reporting shell company known as 310 Holdings, Inc. ("310 Holdings"), a development stage company incorporated in Nevada on April 20, 2006. On July 15, 2009 in a purportedly arms length transaction, 310 Holdings purchased the assets of John Bordynuik, Inc. The company's assets in 2009 consisted mainly of the hardware associated with

the data recovery business. In multiple public filings dating back to at least late 2009, however, the company claimed to have developed a commercial process capable of converting plastic waste into oil, known as “Plastic2Oil.”

16. On August 24, 2009, 310 Holdings purchased 100% of the outstanding shares of Javaco, Inc. (“Javaco”), a wholly owned subsidiary of Domark International (“Domark”), in exchange for \$150,000 and the issuance of 2,500,000 shares of 310 Holding’s common stock to Domark. Javaco purportedly was in the business of selling used cable television equipment, including amplifiers and converters to Colombia, Venezuela and Mexico. 310 Holdings publicly reported that Javaco was acquired to operate and manage the company’s Plastic2Oil sites in Mexico. Pursuant to a separate agreement, Domark’s CEO also assigned media credits (“the media credits”) purportedly representing \$9,997,134 worth of prepaid print and radio ads to 310 Holdings to be used for marketing and advertising. As consideration for the assignment of the media credits, 310 Holdings issued 1,000,000 shares of common stock valued at \$1,000,000 (\$1.00 per share market price) on August 24, 2009.

17. Effective October 5, 2009, 310 Holdings changed its name to JBI, Inc. with Bordynuik both the CEO and CFO of the newly-named company. Bordynuik remained CEO and CFO during the third quarter 2009 and through the filing of JBI’s Form 10-Q for the quarter ended September 30, 2009. As such, Bordynuik certified the financial statements included with the Form 10-Q for the period ended September 30, 2009 that was filed on November 16, 2009. As CEO, Bordynuik certified the financial statements included with the Form 10-K for the year ended 2009 filed on March 31, 2010. Both the Form 10-Q and the Form 10-K were filed with the SEC.

**Accounting for the Media Credits**

18. In its third quarter financial statements filed in the Form 10-Q on November 16, 2009 (for the third quarter ended September 30, 2009) and its end of year financial statements filed in the Form 10-K on March 31, 2010 (for year ended December 31, 2009), JBI reported the media credits purchased from Domark as an asset of the company at their purported face value of \$9,997,134. This valuation was contrary to applicable Generally Accepted Accounting Principles (“GAAP”). The \$9,997,134 valuation can be traced to a purported arms length transaction between Domark and a company called Media4Equity LLC on August 13, 2008. In fact, the original valuation of the media credits by Domark and Media4Equity was severely flawed. In addition, the pricing and projection of probable future economic benefit used for the valuation was not reliable. Finally, the \$1,000,000 in consideration paid by JBI for the media credits in its August 24, 2009 transaction with Domark was both a reliable basis for valuing the media credits and a correct reflection of the perceived value of the media credits at the time of the transaction. Because JBI used the purported face value of the media credits, rather than the actual cost, the company overstated the total value of its assets by a minimum of \$8,997,134 (the \$9,997,134 value reported less the actual \$1,000,000 paid) as of both September 30, 2009 and December 31, 2009. That the media credits had no value, and certainly not the grossly overstated value contained in JBI’s financial statements, also is reflected in restatements later filed by the company.

19. In fact, the media credits should not have had any valuation as of the close of the reporting periods on September 30, 2009 and December 31, 2009. The 1,000,000 shares of 310 Holdings common stock (valued at \$1.00 per share; \$1,000,000 total) constituted an equity based payment. The consideration received in exchange for these equity instruments were the media

credits. Because of the unreliability of the probable future economic benefit attributable to the media credits, GAAP required that the media credits initially be recorded in JBI's books at the \$1,000,000 consideration paid by 310 Holdings on August 24, 2009 and subsequently remeasured at September 30 and December 31, 2009. Because there was no probable economic benefit to JBI from the media credits as the ads had limited distribution and would be unlikely to increase sales and profits, GAAP required that the media credits should be written off in their entirety as of September 30, 2009. Therefore, the media credits, listed by JBI on its financial statements with a \$9,997,134 valuation, in fact should have been valued initially at the \$1,000,000 purchase price, but then written off entirely. For the reporting periods that ended on September 30, 2009 and December 31, 2009, JBI did neither.

**Bordynuik Knew the Valuation of the Media Credits Was Improper**

20. Up to and through the September 30, 2009 filing, JBI did not employ an in house accountant to assist with accounting and financial reporting. Instead, the company hired an outside accounting consultant ("the consultant") to assist with accounting, financial statement preparation, and public filings with the SEC. The consultant hired by JBI was not a certified public accountant ("CPA") nor did she have a formal degree in accounting. In total, the consultant had six credit hours at a community college in two introductory accounting courses. The consultant had begun doing accounting related work for 310 Holdings in the 2002-2003 timeframe. Her relationship with 310 Holdings continued when JBI was merged into it.

21. At the time JBI (through its predecessor, 310 Holdings) acquired the media credits Bordynuik discussed with the consultant valuing the media credits at \$10 million despite the fact that JBI obtained them at a cost of \$1 million (i.e., the \$1,000,000 equity payment made via the transfer of 1,000,000 shares of 310 Holdings common stock). At the time Bordynuik

knew that the consultant was not a CPA. Bordynuik also knew that she would be responsible for preparing JBI's financial statements. Bordynuik then instructed the consultant via internet instant messaging (a "Skype" message) to "please get the pro formas as juicy as you can so I can acquire a chemical company for less." The reference to a chemical company related to Bordynuik's intent to use JBI and its valuation as a vehicle for acquisitions. The reference to "pro formas" related to financial statements of JBI that would not necessarily conform with GAAP and that the company could use to communicate information about JBI to prospective investors, as opposed to being filed with the SEC. In response to Bordynuik's instructions the consultant produced pro formas to Bordynuik that contained the media credits valued at nearly \$10 million.

22. Prior to JBI's filing of its Form 10-Q for the period ended September 30, 2009, Bordynuik traveled from Canada to Florida to consult with the consultant in person about, among other things, the valuation of the media credits, and what needed to be done in preparation for the quarterly filing. During the same trip Bordynuik also was scheduled to meet with an audit firm, Gately & Associates ("the Gately firm"), that served as JBI's independent auditors. Leading up to and during this trip Bordynuik became aware of a severe drinking problem by the auditor (a principal of the firm) assigned to JBI at the Gately firm ("the auditor") that incapacitated him for days and/or weeks at a time. One of those who told Bordynuik about the auditor's drinking problem was the consultant, who did so in an effort to encourage Bordynuik to hire a different auditor. Despite knowing of the auditor's drinking problem and, at times, having difficulty making contact with him, JBI and Bordynuik continued to utilize Gately & Associates (and the assigned auditor) as its independent auditor for the September 30, 2009 10-Q filing and through the March 31, 2010 filing of the Form 10-K for the year ended 2009.

23. During this trip by Bordynuik to Florida, and prior to the filing of the Form 10-Q for the quarter ended September 30, 2009, the consultant expressed concerns to Bordynuik about what appropriate value, according to GAAP, to record the media credits on JBI's balance sheet. The consultant told Bordynuik that she thought GAAP required that the media credits be recorded at their cost to JBI of \$1 million, not at their face value of \$9.997 million. During the same period, and also before the filing of the third quarter 10-Q, another consultant ("the business consultant") affiliated with JBI raised questions about JBI's pro formas containing the \$9.997 million value of the media credits. The business consultant was the Assistant Secretary for JBI and a business consultant working on Plastic2Oil initiatives. He also was a CPA and a former staff auditor at Deloitte & Touche, one of the Big Four accounting firms.

24. The business consultant expressed concerns to Bordynuik that the media credits should be booked at cost prior to the third quarter Form 10-Q filing. The business consultant had specific discussions with Bordynuik about his concerns with JBI booking the media credits at a nearly \$10 million value. The business consultant told Bordynuik that the \$10 million valuation was odd and inconsistent with his experience as an auditor because he believed that such an asset should be booked at the lesser of cost or market value. The business consultant further explained his concern regarding the \$10 million valuation of the media credits on JBI's balance sheet by pointing out that the company one day prior to the transaction had no assets yet, on the very next day, appeared to have assets of nearly \$10 million. The business consultant raised these concerns with Bordynuik after the media credits were first acquired. Bordynuik responded to the business consultant's concerns by stating that the media credits were "audit proof." The business consultant also cautioned Bordynuik that he needed to be careful about how he valued the media

credits and advised that, in his view, to obtain good accounting and auditing advice, Bordynuik should hire a Big 4 accounting firm.

25. Bordynuik did not follow the advice of the business consultant about either the valuation of the media credits or the hiring of a new accountant and/or auditor. Instead, Bordynuik continued to use the consultant for accounting services, including the preparation of pro formas and financial statements and kept the auditor at the Gately firm as his independent auditor. In fact, notwithstanding the concerns raised both by the consultant and the business consultant, in Skype messaging to the consultant on September 2, 2009, Bordynuik stated to her:

*[The business consultant's] group is ultra conservative and are very very good at what they do. They were concerned about our pro forma because they said the [m]edia should have been booked at cost and the big 4 accounting firms would probably penalize us. I advised that the media credits could stand on their own and the auditor said so (this was from [Domark's CEO]). I hope so.... We need a chemc company bad...jezz (sic).*

26. By mid-September 2009, and prior to the filing of the third quarter Form 10-Q, additional information came to Bordynuik that raised questions about the valuation, and even the validity at all, of the media credits. Bordynuik learned that misleading statements had been made by Domark's CEO to induce JBI's acquisition of Javaco, including whether Javaco even maintained operations in Mexico as previously claimed by the CEO. In addition, Bordynuik learned that the CEO of NewsUSA, the parent company of Media4Equity (the original source of the media credits in a purported arms length transaction with Domark), was previously on the Board of Directors of Domark. On September 21, 2009, the consultant informed Bordynuik of the suspect relationship via Skype message, "BTW, I just discovered that the CEO of NewsUSA is a prior director of Domark." Bordynuik responded, also via Skype, "I saw that. Yuck." Despite having renewed doubts about the source of the media credits, the credibility of Domark's CEO, and being warned about the proper GAAP treatment of the media credits by JBI's own

consultant and business consultant, Bordynuik directed that the media credits on JBI's financial statements contained in its Form 10-Q, filed on November 16, 2009, for the quarter ended September 30, 2009, be listed at the purported face value of \$9.997 million.

**Continuing Problems with JBI's Independent Auditor**

27. Shortly after the filing of the Form 10-Q for the third quarter of 2009 on November 16, 2009, additional issues arose regarding JBI's auditor at the Gately firm. On November 28, 2009, the auditor was arrested for Violation of Probation, Felony DUI and Possession of Marijuana. The auditor remained in jail in Florida until February 18, 2010. The consultant informed Bordynuik of the auditor's incarceration but Bordynuik insisted on continuing to use Gately & Associates for JBI's 10-K audit for the fiscal year ending December 31, 2009. Indeed, Bordynuik even agreed to assist the incarcerated auditor by paying for his criminal representation, an alcohol treatment program and offering him a job as an internal auditor for JBI's operations in Canada. During a telephone call to the auditor in jail, Bordynuik offered him legal and financial assistance while he was still retained as the principal of JBI's supposedly independent audit firm, Gately & Associates.

28. Despite these issues, and the dissolving of any notion of "independence" between the auditor and Bordynuik, between the period in which JBI's 10-Q for the third quarter of 2009 was filed and the 10-K for the year end was filed on March 31, 2010, Bordynuik and JBI persisted in using Gately & Associates as its independent audit firm. Bordynuik later claimed that one of the auditor's colleagues at the Gately firm stepped in to assist with the audit responsibilities while the auditor was incarcerated or otherwise was unavailable due to his drinking problem. However, there is no indication that anyone from the Gately firm (or otherwise) undertook any review of the final set of consolidated financial statements included in

JB I's Form 10-K filed on March 31, 2010. Nor is there any indication that anyone from the Gately firm (or otherwise) did the type of audit work required of an independent auditor prior to the filing of the 10-K. In fact, no one associated with JB I was able to contact the auditor for the Gately firm for a significant period of time beginning in February 2010 until the 10-K filing on March 31, 2010. Nor did Bordynuik consult with the auditor from the Gately firm, or with his colleague, about the media credit valuation in advance of the two reporting periods in question or before the filing of the 10-K. Nonetheless, a colleague of the Gately auditor ultimately cut and pasted the electronic signature of Gately & Associates on an audit opinion letter attached to JB I's Form 10-K filing representing that an independent audit had been conducted when one had not.

29. Bordynuik, as CEO, then approved and certified JB I's financial statements contained in its year end Form 10-K filed on March 31, 2010 that included the erroneous and inflated value of the media credits. Bordynuik also falsely asserted, in management representation letters to its outside auditors, that JB I's financial statements were prepared in conformity with GAAP. In addition, Gately & Associates issued an unqualified opinion on JB I's December 31, 2009 financial statements which, in effect, represented that the financial statements were free of material misstatements and were represented fairly in accordance with GAAP.

**Baldwin's Knowledge of the Improper Accounting for the Media Credits**

30. On January 1, 2010, JB I appointed Baldwin as its CFO. Baldwin was a CPA with an office in Florida. Leading up to the filing of JB I's Form 10-K on March 31, 2010 for the year ended 2009, Baldwin reviewed, was aware of and expressed concerns about the valuation of the media credits on JB I's balance sheet. Prior to the filing of the Form 10-K Baldwin discussed the valuation of the media credits with JB I's business consultant. Those discussions focused on the

discrepancy in valuation between what JBI paid for the media credits and what it listed for the value on its financials, including the Form 10-K. In those discussions the business consultant communicated his view that the media credits should have been booked at cost and his concern that the media credits were overvalued on JBI's books at \$9.997 million. Baldwin expressed similar concerns to the business consultant.

31. Baldwin also communicated with the business consultant by email about the valuation of the media credits. On March 29, 2010, in the context of discussing gains associated with acquisitions, Baldwin wrote down in an email to the business consultant: "let's write down the media credits if [JBI's consultant] is going to recognize a gain [on acquisitions]. Better to get them off the balance sheet while we can." The business consultant responded shortly thereafter: "I would agree that we should write down the media credits, although we probably need some basis to do it."

32. Baldwin knew before the 10-K was filed in March 2010 that the media credits were purchased in the third quarter of 2009 with one million shares of JBI stock that were valued at \$1.00 per share at the time of purchase. Baldwin also knew that the media credits were the single largest asset on JBI's balance sheet yet took no steps to review any documents associated with them nor did he consult anyone other than Bordynuik, someone he knew had no accounting background, about whether the media credits were real and useable. Prior to the filing of the Form 10-K in March 2010 Baldwin failed to research GAAP or otherwise take steps to educate himself about valuation issues relating to the media credits. In advance of certifying the financial statements included with the 10-K filing Baldwin did not consult with any outside accountant, auditor or others about the appropriateness of reporting the media credits on the balance sheet at \$9.997 million. Despite being aware of the issues regarding the valuation of the

media credits, and of the significance of the value of the media credits for JBI's balance sheets and other financials, Baldwin failed to conduct any reasonable due diligence on the appropriate accounting for the media credits when he certified the financial statements contained in JBI's Form 10-K for the year ended 2009.

**JBI's Private Investment in Public Equity (PIPE) Offerings**

33. During the relevant period, JBI engaged in two significant private capital raising efforts to raise the capital necessary to begin commercial operation and production of P2O. Beginning in the fall of 2009 through May 2010, JBI raised approximately \$8.4 million in capital through two Private Investment in Public Equity ("PIPE") offerings. In addition to using private placement memoranda to market these offerings to investors, Bordynuik and others on behalf of JBI utilized presentation materials that represented the company's financial position that included the media credits at a value of \$9.997 million. The inclusion of the media credits on these sales materials and in the company's public filings served to present a misleadingly strong financial picture of the company's assets to potential PIPE investors. Both Bordynuik and Baldwin knew or should have known that financials and presentation materials for JBI that listed the media credits at a value of \$9.997 million was a false statement of the value of the media credits, and a valuation inconsistent with GAAP.

**Baldwin Made Willful Misrepresentations about JBI's Financial Position at JBI's Annual General Meeting on April 24, 2010**

34. Almost immediately following the filing of JBI's Form 10-K on March 31, 2010, Baldwin, Bordynuik, the business consultant, outside counsel, and newly hired accounting and audit firms consulted about perceived problems associated with the 10-K filing. Baldwin himself acknowledged that by at least this time he became aware that GAAP required the media credits to be booked at cost, rather than the valuation used, and approved by him, for the Form 10-K

filing. By this time Baldwin also reviewed information relating to press articles and other media obtained by JBI that were charged against the media credits and knew that the media credits had little to no real value. As a result, Baldwin knew, prior to JBI's Annual General Meeting ("AGM") on April 24, 2010, that listing the media credits at \$9.997 million was, at the very least, a substantial overvaluation and would have to be restated.

35. Despite this understanding Baldwin made a presentation at JBI's Annual General Meeting, attended by JBI shareholders, that misrepresented JBI's financial position. Baldwin failed to inform the shareholders that the media credits were erroneously booked and would have to be written down significantly and potentially in their entirety. Instead, Baldwin made misrepresentations about the media credits being a current asset at a nearly \$10 million valuation that would not be on the balance sheet at the same time the next year because they would need to be expensed. In making these misrepresentations Baldwin failed to inform the shareholders that he then believed the media credits to be, at a minimum, overvalued by nearly \$9 million, and at worst, completely worthless and needing to be written off entirely. Baldwin also failed to inform the shareholders that he believed the company most likely would need to restate its financial statements as a result of the overvaluation of the media credits.

36. Bordynuik was present at JBI's Annual General Meeting and was aware, both before and after, of the representations Baldwin made about the value of the media credits. At the time Bordynuik also was aware that the media credits were significantly overvalued in JBI's financials and that the company likely would have to restate as a result. At the time of JBI's Annual General Meeting, Baldwin and Bordynuik both were aware that JBI was still soliciting investors for one of the PIPES that ultimately raised approximately \$8.4 million during the period of overstatement.

**JBI's Restatements**

37. On May 21, 2010, JBI filed a Form 8-K stating that its previously issued financial statements for the year ended December 31, 2009, filed on Form 10-K with the SEC on March 31, 2010, and the interim financial statements for the period ended September 30, 2009, filed on Form 10-Q with the SEC on November 16, 2009, should no longer be relied upon due, in part, to questions regarding the valuation of media credits acquired by the company during 2009. On July 9, 2010 and November 17, 2010, the company issued two restatements. In these restatements. In them, JBI wrote down the media credits to zero and disclosed that the credits had been improperly valued.

**FIRST CLAIM**

**Violation of Section 17(a) of the Securities Act By All Defendants  
[15 U.S.C. § 77q(a)]**

38. The Commission repeats and incorporates by reference the allegations in paragraphs 1 through 37 above as if set forth fully herein.

39. Defendants, directly or indirectly, acting intentionally, knowingly or recklessly, by use of the means or instruments of transportation or communication in interstate commerce or by the use of the mails, in the offer or sale of securities: (a) employed devices, schemes, or artifices to defraud; (b) obtained money or property by means of untrue statements of material fact or omissions to state a material fact necessary to make the statements not misleading; or (c) engaged in transactions, practices, or courses of business which operated as a fraud or deceit upon the purchasers of such securities.

40. By engaging in the conduct described above, Defendants have violated, and unless enjoined will continue to violate, Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)].

**SECOND CLAIM**

**Violation 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] By All Defendants**

41. The Commission repeats and incorporates by reference the allegations in paragraphs 1 through 37 above as if set forth fully herein.

42. Defendants, directly or indirectly, acting intentionally, knowingly or recklessly, in connection with the purchase or sale of securities, by use of the means or instrumentalities of interstate commerce or the facilities of a national securities exchange or the mail: (a) employed devices, schemes, or artifices to defraud; (b) made untrue statements of material fact or omitted to state material fact(s) necessary to make the statements made not misleading; or (c) engaged in acts, practices, or courses of business which operated as a fraud or deceit upon certain persons.

43. By engaging in the conduct described above, Defendants 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].

**THIRD CLAIM**

**Aiding and Abetting 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] By Bordynuik and  
Baldwin**

44. The Commission repeats and incorporates by reference the allegations in paragraphs 1 through 37 above as if set forth fully herein.

45. JBI's quarterly report to the Commission covering the third quarter of fiscal year 2009 and its annual report to the Commission covering fiscal year 2009 knowingly and materially misstated the company's revenue and contained knowing material misrepresentations about the company's assets in an effort to bolster its balance sheet. Specifically, these fraudulent reports included Form 10-Q filed on November 16, 2009 (for the third quarter ended September

30, 2009) and Form 10-K filed on March 31, 2010 (for the year ended December 31, 2010). As a result, JBI violated 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].

46. As set forth above, Bordynuik and Baldwin each signed one or more of JBI's materially misleading public filings and they knew, or were reckless in not knowing, that those public filings contained false and misleading statements about the company's assets. In addition, Baldwin made misleading public statements at JBI's Annual General Meeting about the company's assets.

47. Bordynuik and Baldwin provided knowing and substantial assistance to JBI in making materially misleading public filings and public statements.

48. By engaging in the conduct described above, Bordynuik and Baldwin each aided and abetted JBI's 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].

#### **FOURTH CLAIM**

##### **Violation of Sections 13(a) of the Exchange Act [15 U.S.C. §§ 78m(a)] and Rules 12b-20, 13a-1, 13a-11 and 13a-13 Thereunder [17 C.F.R. §§240.12b-20, 240.13a-1, 240.13a-11, 240.13a-13] By JBI**

49. The Commission repeats and incorporates by reference the allegations in paragraphs 1 through 37 above as if set forth fully herein.

50. JBI's quarterly report to the Commission covering the third quarter of fiscal year 2009 and its annual report to the Commission covering fiscal year 2009 materially misstated the company's revenue and contained material misrepresentations about the company's assets. Specifically, these fraudulent reports included Form 10-Q filed on November 16, 2009 (for the third quarter ended September 30, 2009) and Form 10-K filed on March 31, 2010 (for the year

ended December 31, 2010).

51. JBI thus failed to file with the Commission such financial reports as the Commission has prescribed, and JBI failed to include, in addition to the information expressly required to be stated in such reports, such further material information as was necessary to make the statements made, in light of the circumstances in which they were made, not misleading.

52. As a result, JBI has violated, and unless enjoined will continue to violate, Section 13(a) of the Exchange Act [15 U.S.C. §78m(a)] and Rules 12b-20, 13a-1, 13a-11 and 13a-13 thereunder [17 C.F.R. §§240.12b-20, 240.13a-1, 240.13a-11, 240.13a-13].

#### **FIFTH CLAIM**

#### **Aiding and Abetting Violation of Sections 13(a) of the Exchange Act [15 U.S.C. § 78m(a)] and Rules 12b-20, 13a-1 and 13a-11 Thereunder [17 C.F.R. §§240.12b-20, 240.13a-1, 240.13a-11] By Bordynuik**

53. The Commission repeats and incorporates by reference the allegations in paragraphs 1 through 37 above as if set forth fully herein.

54. JBI's quarterly report to the Commission covering the third quarter of fiscal year 2009 and its annual report to the Commission covering fiscal year 2009 materially misstated the company's revenue and contained material misrepresentations about the company's assets. Specifically, these fraudulent reports included the Form 10-Q filed on November 16, 2009 (for the third quarter ended September 30, 2009) and Form 10-K filed on March 31, 2010 (for the year ended December 31, 2010). JBI thus failed to file with the Commission such financial reports as the Commission has prescribed, and JBI failed to include, in addition to the information expressly required to be stated in such reports, such further material information as was necessary to make the statements made, in light of the circumstances in which they were made, not misleading. As a result, JBI has violated Section 13(a) of the Exchange Act [15

U.S.C. §78m(a)] and Rules 12b-20, 13a-1 and 13a-11 thereunder [17 C.F.R. §§240.12b-20, 240.13a-1, 240.13a-11].

55. As set forth above, Bordynuik signed one or more of JBI's materially misleading public filings, and he knew, or was reckless in not knowing, that those public filings contained false and misleading statements about JBI's assets.

56. Bordynuik provided knowing and substantial assistance to JBI in making materially misleading public filings.

57. As a result, Bordynuik aided and abetted JBI's violations of Section 13(a) of the Exchange Act [15 U.S.C. §78m(a)] and Rules 12b-20, 13a-1, 13a-11 and 13a-13 thereunder [17 C.F.R. §§240.12b-20, 240.13a-1, 240.13a-11].

#### **SIXTH CLAIM**

#### **Aiding and Abetting Violation of Section 13(a) of the Exchange Act [15 U.S.C. § 78m(a)] and Rules 12b-20 and 13a-1 Thereunder [17 C.F.R. §§240.12b-20, 240.13a-1] By Baldwin**

58. The Commission repeats and incorporates by reference the allegations in paragraphs 1 through 37 above as if set forth fully herein.

59. JBI's quarterly report to the Commission covering the third quarter of fiscal year 2009 and its annual report to the Commission covering fiscal year 2009 materially misstated the company's revenue and contained material misrepresentations about the company's assets. Specifically, these fraudulent reports included Form 10-Q filed on November 16, 2009 (for the third quarter ended September 30, 2009) and Form 10-K filed on March 31, 2010 (for the year ended December 31, 2010). JBI thus failed to file with the Commission such financial reports as the Commission has prescribed, and JBI failed to include, in addition to the information expressly required to be stated in such reports, such further material information as was necessary to make the statements made, in light of the circumstances in which they were made,

not misleading. As a result, JBI has violated Section 13(a) of the Exchange Act [15 U.S.C. §78m(a)] and Rules 12b-20, 13a-1, 13a-11 and 13a-13 thereunder [17 C.F.R. §§240.12b-20, 240.13a-1, 240.13a-11, 240.13a-13].

60. As set forth above, Baldwin signed one or more of JBI's materially misleading public filings, and he knew, or was reckless in not knowing, that those public filings contained false and misleading statements about JBI's assets.

61. Baldwin provided knowing and substantial assistance to JBI in making materially misleading public filings.

62. As a result, Baldwin aided and abetted JBI's violations of Section 13(a) of the Exchange Act [15 U.S.C. §78m(a)] and Rules 12b-20 and 13a-1, thereunder [17 C.F.R. §§240.12b-20, 240.13a-1].

#### **SEVENTH CLAIM**

##### **Violation of Section 13(b)(2)(A) of the Exchange Act [15 U.S.C. §78m(b)(2)(A)] By JBI**

63. The Commission repeats and incorporates by reference the allegations in paragraphs 1 through 37 above as if set forth fully herein.

64. JBI maintained false and misleading books, records and accounts which, among other things, materially overstated the company's assets for fiscal year 2009. Its books, records and accounts thus failed accurately and fairly to reflect the transactions and dispositions of the assets of JBI.

65. As a result, JBI has violated, and unless enjoined will continue to violate, Section 13(b)(2)(A) of the Exchange Act [15 U.S.C. §78m(b)(2)(A)].

**EIGHTH CLAIM**

**Aiding and Abetting Violation of Section 13(b)(2)(A) of the Exchange Act [15 U.S.C. §78m(b)(2)(A)] By Bordynuik and Baldwin**

66. The Commission repeats and incorporates by reference the allegations in paragraphs 1 through 37 above as if set forth fully herein.

67. JBI maintained false and misleading books, records and accounts which, among other things, materially overstated the company's assets for fiscal year 2009. Its books, records and accounts thus failed accurately and fairly to reflect the transactions and dispositions of the assets of JBI. As a result, JBI violated Section 13(b)(2)(A) of the Exchange Act [15 U.S.C. §78m(b)(2)(A)].

68. Bordynuik and Baldwin participated in the creation and authorization of various financial statements at JBI that falsely and improperly overstated the valuation of the company's assets. They thus knew, or were reckless in not knowing, that JBI's books, records and accounts were false and misleading and failed accurately and fairly to reflect the value of the assets of JBI.

69. Bordynuik and Baldwin provided knowing and substantial assistance to JBI in maintaining false and misleading books, records and accounts.

70. As a result, Bordynuik and Baldwin each aided and abetted JBI's violations of Section 13(b)(2)(A) of the Exchange Act [15 U.S.C. §78m(b)(2)(A)].

**NINTH CLAIM**

**Violation of Section 13(b)(2)(B) of the Exchange Act [15 U.S.C. §78m(b)(2)(B)] By JBI**

71. The Commission repeats and incorporates by reference the allegations in paragraphs 1 through 37 above as if set forth fully herein.

72. JBI failed to devise and maintain a system of internal accounting controls sufficient to provide reasonable assurances that JBI's transactions were recorded as necessary to

permit preparation of financial statements in conformity with generally accepted accounting principles.

73. As a result, JBI has violated, and unless enjoined will continue to violate, Section 13(b)(2)(B) of the Exchange Act [15 U.S.C. §78m(b)(2)(B)].

**TENTH CLAIM**

**Aiding and Abetting Violation of Section 13(b)(2)(B)  
of the Exchange Act [15 U.S.C. §78m(b)(2)(B)] By Bordynuik and Baldwin**

74. The Commission repeats and incorporates by reference the allegations in paragraphs 1 through 37 above as if set forth fully herein.

75. JBI failed to devise and maintain a system of internal accounting controls sufficient to provide reasonable assurances that JBI's transactions were recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles. As a result, JBI has violated Section 13(b)(2)(B) of the Exchange Act [15 U.S.C. §78m(b)(2)(B)].

76. Bordynuik and Baldwin participated in the creation and authorization of various financial statements at JBI that falsely and improperly overstated the valuation of the company's assets. They thus knew, or were reckless in not knowing, that JBI had not devised and maintained a system of internal accounting controls sufficient to provide reasonable assurances that JBI's transactions were recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles.

77. Bordynuik and Baldwin provided knowing and substantial assistance to JBI in failing to devise and maintain a system of internal accounting controls sufficient to provide reasonable assurances that transactions at JBI were recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles.

78. As a result, Bordynuik and Baldwin each aided and abetted JBI's violations of Section 13(b)(2)(B) of the Exchange Act [15 U.S.C. §78m(b)(2)(B)].

**ELEVENTH CLAIM**

**Violation of Section 13(b)(5) of the Exchange Act [15 U.S.C. §78m(b)(5)] By All Defendants**

79. The Commission repeats and incorporates by reference the allegations in paragraphs 1 through 37 above as if set forth fully herein.

80. Both Bordynuik and Baldwin participated in the creation and authorization of various financial statements at JBI that falsely and improperly overstated the valuation of the company's assets.

81. Bordynuik and Baldwin and JBI thus knowingly circumvented or knowingly failed to implement a system of internal accounting controls, and knowingly falsified, directly or indirectly, or caused to be falsified, books, records and accounts of JBI that were subject to Section 13(b)(2)(A) of the Exchange Act, [15 U.S.C. §78m(b)(2)(A)].

82. As a result, Bordynuik and Baldwin and JBI have violated, and unless enjoined will continue to violate, 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].

**TWELFTH CLAIM**

**Violation of Exchange Act Rule 13b2-1 [17 C.F.R. §240.13b2-1]  
By Bordynuik and Baldwin**

83. The Commission repeats and incorporates by reference the allegations in paragraphs 1 through 37 above as if set forth fully herein.

84. Bordynuik and Baldwin directly or indirectly falsified or caused to be falsified books, records or accounts of JBI that were subject to Section 13(b)(2)(A) of the Exchange Act [15 U.S.C. §78m(b)(2)(A)].

85. As a result, Bordynuik and Baldwin and JBI have violated, and unless enjoined will continue to violate, Exchange Act Rule 13b2-1 [17 C.F.R. §240.13b2-1].

**THIRTEENTH CLAIM**

**Violation of Exchange Act Rule 13b2-2 [17 C.F.R. §240.13b2-2] By Bordynuik**

86. The Commission repeats and incorporates by reference the allegations in paragraphs 1 through 37 above as if set forth fully herein.

87. Bordynuik provided false documents concerning the valuation of JBI's assets to JBI's auditors. Bordynuik falsely asserted in management representation letters to JBI's outside auditors that JBI's financial statements were prepared in conformity with GAAP.

88. Bordynuik, directly or indirectly, made or caused to be made materially false or misleading statements to JBI's accountant, or omitted to state or caused another person to omit to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading to JBI's accountant, in connection with the audit of JBI financial statements for fiscal year 2009.

89. By reason of the foregoing, Bordynuik violated, and unless enjoined will continue to violate, Exchange Act Rule 13b2-2 [17 C.F.R. §240.13b2-2].

**FOURTEENTH CLAIM**

**Violation of Exchange Act Rule 13a-14 [17 C.F.R. §240.13A-14] By Bordynuik and Baldwin**

90. The Commission repeats and incorporates by reference the allegations in paragraphs 1 through 37 above as if set forth fully herein.

91. Bordynuik and Baldwin violated Rule 13a-14 of the Exchange Act [17 C.F.R. §240.13a-14] by falsely certifying in a Section 302 certification that JBI's 2009 annual report

did not contain material misstatements or omit material information. These periodic reports filed by JBI did not fairly represent the company's financial condition because the reports included financial statements that materially overstated assets, namely the media credits, in contravention of GAAP.

92. By reason of the foregoing, Bordynuik and Baldwin violated, and unless enjoined will continue to violate, Exchange Act Rule 13a-14 [17 C.F.R. §240.13a-14].

**PRAYER FOR RELIEF**

WHEREFORE, the Commission requests that this Court enter an order:

A. Permanently enjoining JBI from violating, directly or indirectly, Section 17(a) of the Securities Act [15 U.S.C. §77q(a)] and Sections 10(b), 13(a), 13(b)(2)(A) and (B), and 13(b)(5) of the Exchange Act [15 U.S.C. §§78j(b) and 78m(a), (b)(2)(A), (b)(2)(B), (b)(5)] and Rules 10b-5, 12b-20, 13a-1, 13a-11, and 13a-13 thereunder [17 C.F.R. §§240.10b-5, 240.12b-20, 240.13a-1, 240.13a-11, 240.13a-13];

B. Permanently enjoining Bordynuik from violating, directly or indirectly, Section 17(a) of the Securities Act [15 U.S.C. §§77e and 77q(a)] and Sections 10(b), 13(a), 13(b)(2)(A) and (B), and 13(b)(5) of the Exchange Act [15 U.S.C. §§78j(b) and 78m(a), (b)(2)(A), (b)(2)(B), (b)(5)] and Rules 10b-5, 12b-20, 13a-1, 13a-11, 13a-14, 13b2-1, and 13b2-2 thereunder [17 C.F.R. §§240.10b-5, 240.12b-20, 240.13a-1, 240.13a-11, 240.13a-14, 240.13b2-1, 240.13b2-2];

C. Permanently enjoining Baldwin from violating, directly or indirectly, Section 17(a) of the Securities Act [15 U.S.C. §§77e and 77q(a)] and Sections 10(b), 13(a), 13(b)(2)(A) and (B), and 13(b)(5) of the Exchange Act [15 U.S.C. §§78j(b) and 78m(a), (b)(2)(A), (b)(2)(B), (b)(5)] and Rules 10b-5, 12b-20, 13a-1, 13a-14 and 13b2-1 thereunder [17 C.F.R. §§240.10b-5, 240.12b-20, 240.13a-1, 240.13a-14, 240.13b2-1];

D. Requiring all Defendants to disgorge their ill-gotten gains and losses avoided, plus pre-judgment interest, with said monies to be distributed in accordance with a plan of distribution to be ordered by the Court;

E. Requiring all Defendants to pay appropriate civil monetary penalties 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)];

F. Prohibiting Bordynuik and Baldwin from acting as officers or directors of any issuer that has a class of securities registered under Section 12 of the Exchange Act [15 U.S.C. §78l] or that is required to file reports pursuant to Section 15(d) of the Exchange Act [15 U.S.C. §78o(d)], pursuant to Section 21(d)(2) of the Exchange Act [15 U.S.C. §78u(d)(2)];

G. Retaining jurisdiction over this action to implement and carry out the terms of all orders and decrees that may be entered; and

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

**JURY DEMAND**

The Commission hereby demands a trial by jury on all claims so triable.

Respectfully submitted,

SECURITIES AND EXCHANGE COMMISSION  
By its attorneys,

/s/ Martin F. Healey  
Martin F. Healey (BBO No. 227550)  
Michelle Giard Draeger (ME Bar No. 8906)  
33 Arch Street, 23rd Floor  
Boston, Massachusetts 02110  
Telephone: (617) 573-8952 (Healey direct)  
Facsimile: (617) 573-4590  
E-mail: healeym@sec.gov

Dated: January 4, 2012