

Division of Securities
Utah Department of Commerce
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Salt Lake City, UT 84114-6760
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BEFORE THE DIVISION OF SECURITIES
OF THE DEPARTMENT OF COMMERCE
OF THE STATE OF UTAH

IN THE MATTER OF:

**RACE, LLC
RANDY J. BRADLEY
ANNA LEE BRADLEY**

Respondents

**STIPULATION AND CONSENT
ORDER AS TO RACE, LLC AND
RANDY J. BRADLEY**

**Docket No. SD-08-0038
Docket No. SD-08-0039
Docket No. SD-08-0040**

The Utah Division of Securities (the Division), by and through its Director of Enforcement, Michael Hines, and Race, LLC and Randy J. Bradley, hereby stipulate and agree as follows:

1. Race, LLC (Race) and Randy J. Bradley (Bradley) are the subjects of an investigation conducted by the Division into allegations that they violated certain provisions of the Utah Uniform Securities Act (the Act), Utah Code Ann. § 61-1-1, *et seq.*, as amended.
2. In connection with that investigation, the Division issued an Order to Show Cause against them on March 26, 2008, alleging securities fraud. Criminal charges were also filed against

Bradley in connection with the investigation.¹

3. On June 4, 2008, Respondents filed a response to the Order to Show Cause, contesting the allegations. The administrative matter was stayed on September 8, 2008, pending resolution of the criminal matter. The parties have now agreed to resolve this matter by way of a stipulation and consent order.
4. Respondents consent to jurisdiction of the Division over them and over the subject matter of this action.
5. By entering into this stipulation and consent order, Respondents waive any right to a hearing to challenge the Division's evidence and present evidence on their behalf.
6. The Division agrees to dismiss Anna Lee Bradley as a respondent in this action.
7. Respondents consent to the sanctions below and acknowledge that this stipulation and consent order does not affect any enforcement action that might be brought by a criminal prosecutor or any other local, state, or federal enforcement authority.

I. THE DIVISION'S FINDINGS OF FACT

THE RESPONDENTS

8. Race was registered as a Utah limited liability company on May 24, 2005, and its current entity status is "expired." Randy J. Bradley is the registered agent and sole member and

¹*State of Utah v. Randy J. Bradley*, Case No. 081402366, Fourth Judicial District Court of Utah (2008). Bradley later pleaded guilty to two counts of attempted securities fraud, third degree felonies, and was ordered to pay in restitution on January 31, 2011.

manager of Race.

9. Bradley resided in Utah County, Utah at all relevant times.

GENERAL ALLEGATIONS

10. In May 2007, Bradley received investments of at least \$376,000, from at least three Utah investors.
11. Bradley told investors their money would be secured by real estate, that they would receive a promissory note in return for their investment, and that they would receive interest of 3% per month.
12. Prior to accepting the investors' money, Bradley failed to disclose material information, including, but not limited to, Bradley's prior bankruptcy filing.
13. Two of the investors were able to recover their principal investment plus interest, and the third investor received only a few interest payments and is still owed \$346,000 in principal alone.

Investors RH & WH, Husband and Wife

14. In March or April 2007, in Utah County, investor WH was first introduced to the investment opportunity in Race, LLC.
15. In April or May, 2007, RH and WH went to dinner with Bradley and his wife in Utah County, and the investment opportunity with Race was discussed. RH and WH were told by Bradley that they would receive a monthly return of 3%, 36% per annum, from an investment with Race.

16. WH told Bradley that the \$30,000 RH and WH were thinking about investing was “precious money” because it belonged to WH’s mother.²
17. WH asked Bradley about the risk involved and Bradley said the promissory note would be backed by real estate and that Bradley would personally guarantee the investment.
18. Bradley said they had been paying their investors interest for two years and that everything would be fine.
19. Bradley assured RH and WH that their money would go to Founders Capital, LLC³, where Bradley was employed, and their investment would be secured by real estate.
20. On May 11, 2007, RH and WH invested \$30,000 with Race, by hand-delivering a check from RH’s and WH’s business, made payable to Race, LLC, to Bradley.
21. RH and WH received a promissory note from Race, dated June 1, 2007, in the amount of \$30,000, with a stated interest rate of 3% per month, signed by Bradley as the managing member.
22. In September, 2007, Bradley went to lunch with RH, and RH told Bradley he had an appointment to meet with the Director of Enforcement at the Utah Division of Securities

²WH sold her mother’s home in California, and from the sale had approximately \$30,000 remaining to invest.

³ Founders Capital, LLC is a Utah County company whose sole manager is Hill Erickson, LLC. Hill Erickson, LLC’s sole manager is CRK Central Management, LLC. CRK Central Management’s sole member is Franklin Squires Investments, LLC. Franklin Squires Investments, LLC is not a registered entity with the Utah Division of Corporations.

regarding RH's investment in Race. Bradley brought up the topic of disclosure for the first time, and told RH that Bradley filed for bankruptcy approximately seven years earlier.

23. RH and WH then asked Bradley to return their investment.
24. On or about November 5, 2007, Bradley gave RH two checks, one for \$30,000 to cover the principal amount of RH's and WH's investment, and one for \$2,781.81 for interest.

Investor RM

25. In April 2006, in Utah County, RM and her brother-in-law, Karl Markham (Markham), attended a meeting held by Rick Koerber, at which Koerber spoke about his "principles of prosperity" and how to make money with real estate.
26. After the meeting, Markham told RM he was excited about investing with Race, LLC, a company owned by his friend Bradley. Markham told RM that invested money would be sent to Race, Race would send it to a company called Founders Capital, where it would be used to purchase real estate. Markham told RM she would receive a return of 3% per month, 36% per annum, on such an investment.
27. On April 4, 2006, RM invested money with Race by giving Markham a cashier's check for \$35,000 made payable to Race, LLC.
28. RM received a promissory note from Race in return for her investment. The note was issued to Markham in the amount of \$105,000. The note included RM's \$35,000 investment in addition to investments made by Markham's father. The note included interest of 3% per month, and contained no maturity date.

29. On May 5, 2006, Markham, Markham's father, and RM formed a limited liability company called KDRM, LLC (KDRM). Markham told RM the LLC was necessary because according to Bradley, all investments in Founders Capital had to come from businesses as opposed to individuals.
30. On August 1, 2006, RM invested another \$200,000 with Race, via wire transfer.
31. In October 2006, RM attended a Rick Koerber class at the Franklin Squires building in Utah County. After the class, RM visited with Bradley and told him she may invest with Race again.
32. Bradley told RM that all interest payments would now go from Race to JAMAR Property, LLC⁴ (JAMAR), and from JAMAR to KDRM.
33. On November 14, 2006, RM invested \$111,000 with Race, via wire transfer to Race's bank account.
34. Prior to investing, Bradley told RM that she would receive a monthly return of 3%, or 36% per annum.
35. Between May 2006 and August 2007, RM received a total of \$53,615 in interest from Race. Interest payments were deposited directly into KDRM's bank account, and RM would then pay herself, Markham, and Markham's father the proportionate share.

⁴ JAMAR Property, LLC was registered as a Utah limited liability company on September 20, 2006, but its entity status expired on September 20, 2007. Karl Markham and Debora Markham are the members of JAMAR Property, LLC.

36. In August 2007, KDRM received its last interest payment from Race.
37. In September 2007, RM asked Bradley for her money back and Bradley told her he had assets, but no cash flow to pay her back. Bradley told RM it would do no good to sue him because he had no money to pay her back.
38. Bradley still owes RM a total of \$346,000 in principal alone.

SECURITIES FRAUD

39. In connection with the offer and sale of a security to a Utah investor, Bradley and Race, directly and /or indirectly, made the following misstatements of material fact:
 - a. The investment was secured by real estate;
 - b. The investment in Race, LLC would provide interest of 3% per month; and
 - c. R. Bradley and A. Bradley told RH and WH they would personally guarantee their investment.
40. In connection with the offer and sale of a security to a Utah investor, Bradley and Race, directly and/or indirectly, failed to disclose material information, including, but not limited to, the following, which was necessary in order to make the representations mentioned above not misleading:
 - a. That he and his wife filed for bankruptcy in 2000;
 - b. Respondents failed to provide investors with some or all of the information typically provided in an offering circular or prospectus regarding Race, LLC and Founders Capital, LLC, such as:

- I. The business and operating history for Race and Founders Capital;
- ii. Financial statements for Race and Founders Capital;
- iii. The market for Race's and Founders Capital's service(s);
- iv. The nature of the competition for the service(s);
- v. The current capitalization for Race and Founders Capital;
- vi. The number of other investors;
- vii. The minimum capitalization needed to participate in the investment;
- viii. The disposition of any investments received if the minimum capitalization were not achieved;
- ix. Bradley's experience with investing in real estate;
- x. Discussion of pertinent suitability factors for the investment;
- xi. Any conflicts of interest the issuer, the principals, or the agents may have with regard to the investment;
- xii. Agent commissions or compensation for selling the investment;
- xiii. Whether the investment is a registered security or exempt from registration;
- xiv. Whether the person selling the investment is licensed; and
- xv. Identities of the principals for Founders Capital, along with their experience

with investing in real estate.

II. THE DIVISION'S CONCLUSIONS OF LAW

41. Based on the its investigative findings, the Division concludes that:
 - a. The investment opportunities offered and sold by Respondents are securities under § 61-1-13 of the Act;
 - b. Respondents violated § 61-1-1(2) of the Act by misstating and omitting to state material facts in connection with the offer and sale of a security.

III. REMEDIAL ACTIONS/SANCTIONS

42. Respondents neither admit nor deny the Division's findings and conclusions and consent to the sanctions below being imposed by the Division.
43. Respondents represent that any information they provided to the Division as part of the Division's investigation of this matter is accurate.
44. Respondents agree to the imposition of a cease and desist order, prohibiting them from any conduct that violates the Act.
45. Pursuant to Utah Code Ann. § 61-1-6(1)(d) and in consideration of the guidelines set forth in Utah Admin. Code Rule R164-31-1, the Division imposes a fine of \$20,000 with the following provisions:

- a. The \$20,000 fine will be held in abeyance contingent on no securities laws violations from the entry of this Order and September 14, 2014.
 - b. If Respondents materially violate any of the terms of this Stipulation and Consent Order within the abeyance period following the entry of the Order, after notice and opportunity to be heard before an administrative officer, the entire fine shall become immediately due.
46. Bradley agrees that he will be barred from (i) associating⁵ with any broker-dealer or investment adviser licensed in Utah; and (ii) acting as an agent for any issuer soliciting investor funds in Utah.
47. Bradley agrees to cooperate with the Division, the State of Utah, and the Federal Government in any future investigations and/or prosecutions relevant to the matter herein.
48. Bradley agrees to pay restitution as ordered in the criminal case, *State of Utah v. Randy J. Bradley*, Case No. 081402366, Fourth Judicial District Court of Utah (2008).

⁵“Associating” includes, but is not limited to, acting as an agent of, receiving compensation directly or indirectly from, or engaging in any business on behalf of a broker-dealer, agent, investment adviser, or investment adviser representative licensed in Utah. “Associating” does not include any contact with a broker-dealer, agent, investment adviser, or investment adviser representative licensed in Utah incidental to any personal relationship or business not related to the sale or promotion of securities or the giving of investment advice in the State of Utah.

IV. FINAL RESOLUTION

49. Respondents acknowledge that this Order, upon approval by the Securities Commission shall be the final compromise and settlement of this matter.
50. Respondents further acknowledge that if the Securities Commission does not accept the terms of the Order, it shall be deemed null and void and without any force or effect whatsoever.
51. Respondents acknowledge this Order does not affect any criminal causes of action that may have already arisen as a result of their conduct referenced herein.
52. The Stipulation and Consent Order constitutes the entire agreement between the parties herein and supersedes and cancels any and all prior negotiations, representations, understandings, or agreements between the parties. There are no verbal agreements which modify, interpret, construe, or otherwise affect the Order in any way.

Utah Division of Securities

Date: 8/24/11
By: [Signature]
Michael Hines
Director of Enforcement

Respondent Bradley

Date: Aug 23, 2011
By: [Signature]
Randy J. Bradley as Manager of
Race, LLC and as an individual

Approved:

[Signature]
Scott Davis
Assistant Attorney General
J.S.

ORDER

IT IS HEREBY ORDERED THAT:

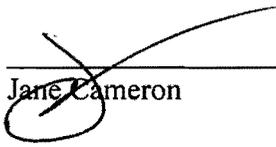
1. The Division has made a sufficient showing of Findings of Fact and Conclusions of Law to form a basis for this settlement.
2. Respondents neither admit nor deny the Division's findings and conclusions and consent to the sanctions below being imposed by the Division.
3. Respondents are subject to a \$20,000 fine, payable to the Division, which is waived contingent upon no securities violations from the entry of this Order until September 14, 2014.
4. Randy J. Bradley is barred from (i) associating with any broker-dealer or investment adviser licensed in Utah; and (ii) acting as an agent for any issuer soliciting investor funds in Utah.
5. Bradley agrees to pay restitution as ordered in the criminal case, *State of Utah v. Randy J. Bradley*, Case No. 081402366, Fourth Judicial District Court of Utah (2008).

BY THE UTAH SECURITIES COMMISSION:

DATED this 27 day of October, 2011.



Tim Bangerter

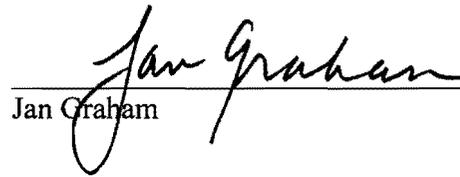


Jane Cameron

Erik Christiansen



Laura Polacheck



Jan Graham

Certificate of Mailing

I certify that on the 2nd day of NOVEMBER, 2011, I mailed, by certified mail, a true and correct copy of the Stipulation and Consent Order to:

Randy J. Bradley
716 Cari Lane
Midway, UT 84049

Certified Mailing # 7007 0220 0001 0003 0501

Julie Dine