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4TH DISTRICT
STATE OF UTAH
UTAH COUNTY



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IN THE FOURTH JUDICIAL DISTRICT COURT IN AND FOR
UTAH COUNTY, STATE OF UTAH

THE STATE OF UTAH, :
 :
 Plaintiff, : **AFFIDAVIT OF PROBABLE CAUSE**
 :
 vs. :
 :
 RANDY J. BRADLEY : Case No: 081402366
 DOB: June 6, 1960 :
 : Judge: McKey / Div 1
 :
 Defendant :

STATE OF UTAH)
 :ss
 COUNTY OF UTAH)

I, JONATHAN STEWART, being first duly sworn upon oath, depose and state as follows:

1. I am currently employed as a Securities Compliance Investigator for the Utah Department of Commerce, Division of Securities. Prior to my employment with the Division of Securities, I was employed by the Utah Division of Consumer Protection as

an investigator. I hold a Bachelor of Science degree from the University of Utah in Sociology with a Certificate in Criminology. I am currently investigating possible violations of securities fraud statutes and related criminal code violations by RANDY J. BRADLEY.

2. The facts set forth in this affidavit are based upon the results of an investigation during which I have interviewed and/or collected and reviewed records from witness and other sources. I have received information from Ron and Wendy Hendry, Rosemary Markham, Connie Lynn Roberts, and Michael Roberts.

PARTIES

3. Randy J. BRADLEY, at all pertinent times, resided in Mapleton, Utah County, Utah.
4. A search on the Utah's Department of Commerce web site reveals that Race, LLC, filed with the Utah Division of Corporations on May 24, 2005. Corporate documents show that R. Bradley was listed as a Manager, Member, and Registered Agent.

BACKGROUND

5. The Hendrys were told their investment would be backed by real estate.
6. The Hendrys were told they would get 3% per month on their investment.
7. The Hendrys were told that the Bradleys would personally guarantee their investment.
8. Markham was told her money would be sent to a company called Founders Capital.
9. Markham was told that Founders Capital would use the money to buy real estate.
10. Markham was told she would get a return of 3% per month.

11. Connie Roberts was told she could expect a monthly payment of \$1,080 or 3%.
12. Michael Roberts was told that he would receive interest payments of 3% per month.
13. BRADLEY misrepresented or omitted material facts to the Hendrys, Markham, Connie Roberts, and Michael Roberts.

SECURITIES FRAUD

14. Between April 2006 and May 2007 BRADLEY accepted \$497,000 from four investors. Even though demand has been made by the investors, \$365,000 has not been returned. The transactions involved promissory notes or an investment contract both of which are securities as defined by Utah Code Ann. §61-1-13 (1953, as amended).
15. BRADLEY misrepresented material facts to the above named investors in connection with the offer or sale of a security, including but not limited to:
 - a. BRADLEY told the Hendrys their investment would be backed by real estate;
 - b. BRADLEY told the Hendrys they would get 3% per month on their investment;
 - c. BRADLEY told Markham her money would be sent to a company called Founders Capital;
 - d. BRADLEY told Markham that Founders Capital would use the money to buy real estate;
 - e. BRADLEY told Markham she would get a return of 3%;
 - f. BRADLEY told Connie Roberts she could expect a monthly payment of \$1,080;

- g. BRADLEY told Michael Roberts he would receive interest payments of 3% per month.
16. BRADLEY directly or indirectly omitted material facts in discussions with one or more investors in connection with the offer or sale of a security, including but not limited to:
- a. BRADLEY did not tell the Hendrys, Markham, or Connie the issuer's business and operating history;
 - b. BRADLEY did not tell the Hendrys, Markham, or Connie the identities of the principals in Race, LLC along with their experience in this type of business;
 - c. BRADLEY did not give the Hendrys, Markham, Connie, or Michael financial statements for Race;
 - d. BRADLEY did not tell the Hendrys or Connie about the market for the product of the company;
 - e. BRADLEY did not tell the Hendrys, Markham, or Connie about the nature of competition for the product;
 - f. BRADLEY did not tell the Hendrys about the current capitalization of the issuer;
 - g. BRADLEY did not give the Hendrys or Connie a description of how the investment makes money;
 - h. BRADLEY did not tell Markham or Connie about the track record of the company to investors;

- i. BRADLEY did not tell Markham about risk factors for investors;
- j. BRADLEY did not tell the Hendrys, Markham, Connie, or Michael about the number of other investors;
- k. BRADLEY did not tell the Hendrys or Markham the minimum capitalization needed to participate in the investment;
- l. BRADLEY did not discuss pertinent suitability factors with the Hendrys, Markham, or Connie;
- m. BRADLEY did not tell the Hendrys, Markham, or Connie about any conflict of interest the issuer, the principals, or the agent may have with regard to the investment;
- n. BRADLEY did not tell the Hendrys, Markham, or Connie about agent commissions or compensation for selling the investment;
- o. BRADLEY did not tell the Hendrys, Markham, or Connie whether the investment was a registered security or exempt from registration;
- p. BRADLEY did not tell the Hendrys, Markham, Connie, or Michael whether the person selling the investment was licensed to sell securities;
- q. BRADLEY did not tell the Hendrys or Markham that the Bradleys had filed for bankruptcy in 2000;
- r. BRADLEY did not tell Connie both of her investments would be used for Bradley's personal expenses as well as interest payments to other Race investors;

- s. BRADLEY did not tell Michael his investment would be used for Bradley's personal expenses as well as interest payments to other Race investors;

COUNT 1
SECURITIES FRAUD, a second degree felony
(Ron & Wendy Hendry)

17. In March or April 2007, in Utah County, Wendy was first introduced to the investment opportunity in Race, LLC, by Anna Lee Bradley.
18. Anna told Wendy that Race was a company owned and operated by her and BRADLEY. Anna told Wendy that Wendy and her husband could borrow money on their home to invest with Race, and that they would receive a monthly return of 3%.
19. Anna also told Wendy that she could collect money from other investors, offer them a return of 2% monthly on their investment, while Wendy and her husband still earned 3% monthly by investing the money with Race. Wendy could then keep the remaining 1% received from Race.
20. Wendy told Anna she had sold her mother's home in California, and from the sale she had approximately \$30,000 remaining to invest.
21. Anna told Wendy that Race would give her a promissory note as evidence of her investment.
22. In April or May, 2007, Ron and Wendy went to dinner with Anna and BRADLEY in Utah County, and the investment opportunity with Race was discussed. Ron and Wendy were told by Anna and BRADLEY that they would receive a monthly return of 3% from

an investment with Race.

23. Wendy asked BRADLEY about the risk involved, and BRADLEY and Anna both said the promissory note would be backed by real estate and that BRADLEY and ANNA would personally guarantee the investment.
24. BRADLEY and Anna told Ron that they had been paying their investors interest for two years and that everything would be fine.
25. BRADLEY assured Ron and Wendy that their money would go to Founders Capital, LLC, where BRADLEY was employed, and their investment would be secured by real estate.
26. On May 11, 2007, Ron and Wendy invested \$30,000 with Race, by hand-delivering a check from Ron and Wendy's business, made payable to Race, LLC, to BRADLEY.
27. Ron and Wendy 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, which contained the signature of BRADLEY as the managing member.
28. In September, 2007, BRADLEY went to lunch with Ron, and Ron told BRADLEY that he had an appointment to meet with the Director of Enforcement at the Utah Division of Securities regarding his investment in Race. BRADLEY brought up the topic of disclosure for the first time, and told Ron that he had filed for bankruptcy approximately seven years earlier.

29. On or about November 5, 2007, BRADLEY gave Ron two checks, one for \$30,000 to cover the principal amount of Ron and Wendy's investment, and one for \$2,781.81 for interest.

COUNT 2
SECURITIES FRAUD, a second degree felony
(Rosemary Markham)

30. In April 2006, in Utah County, Markham and her brother-in-law, Karl 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.
31. After the meeting, Karl told Markham he was excited about investing with Race, LLC, a company owned by his friend Randy BRADLEY. Karl told Markham 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. Karl told Markham she would receive a return of 3% per month on such an investment.
32. On April 4, 2006, Markham invested money with Race by giving Karl a cashier's check for \$35,000 made payable to Race, LLC.
33. Markham received a promissory note dated April 11, 2006 from Race in return for her investment. The Note was issued to Karl in the amount of \$105,000 and contained the signature of BRADLEY. The note included Markham's \$35,000 investment in addition to investments made by Karl, and Karl's father. The note included interest of 3% per month, and contained no maturity date.

34. On May 5, 2006, Markham, Karl, and Karl's father formed a limited liability company called KDRM, LLC. Karl told Markham the LLC was necessary because according to BRADLEY, all investments in Founders Capital had to come from businesses as opposed to individuals.
35. On August 1, 2006 Markham invested an additional \$200,000 with Race, via wire transfer.
36. In October 2006 Markham attended a Koerber class at the Franklin Squires building in Utah County. After the class, Markham visited with BRADLEY and told him she may invest with Race again.
37. BRADLEY told Markham that all interest payments would now go from Race to Jamar Property, LLC, a company owned by Karl, and from Jamar to KDRM.
38. On November 14, 2006, Markham invested an additional \$111,000 with Race, via wire transfer to Race's bank account.
39. Prior to investing, BRADLEY told Markham that she would receive a return of 3% per month.
40. Between May 2006 and August 2007, Markham received a total of \$53,615 in interest from Race. Interest payments were deposited directly into KDRM's bank account, Markham would then pay herself, Karl, and Karl's father the proportionate share.
41. In August 2007, KDRM received its last interest payment from Race.

42. In September 2007, Markham asked BRADLEY for her money back and BRADLEY told her he had assets, but no cash flow to pay her back. BRADLEY told Markham it would do no good to sue him because he had no money to pay her back.

COUNT 3
SECURITIES FRAUD, a second degree felony
(Michael Roberts)

43. In the fall of 2006 Michael Roberts had an employee who had invested with Race and BRADLEY.
44. Michael's employee told him she was getting 3% per month on her investment. Michael asked his employee monthly how her investment was going. After several months of positive results for his employee, Michael asked his employee for BRADLEY's phone number so he could call about investing.
45. Michael called BRADLEY at the end of 2006. BRADLEY told Michael he worked for Rick Koerber, and he was part of a program that had weekly meetings. BRADLEY talked about the philosophies of Franklin Squires and recommended that Michael attend a class before investing.
46. Michael tried to attend meetings on two different occasions, but ended up missing both of them. After missing both of these meetings, Michael called BRADLEY again and BRADLEY agreed to meet with him and teach him what he knew.
47. Michael met with BRADLEY in an office building in Sandy, Utah sometime in late 2006.

48. BRADLEY talked about the principles of prosperity, Koerber's vision about the world, Founders Capital's business plan, including raising money to buy houses, followed by a lease option or sale of the property for a profit. BRADLEY talked about his family, including his history of being dirt poor a few years earlier, and filing for bankruptcy. Finally, BRADLEY talked about Race being a separate entity, and if someone gives money to Race, Race has control of the money and they will decide how to invest the money, which may include giving it to Founders Capital.
49. At the end of the meeting, Michael asked if he could invest, and BRADLEY told him that he could.
50. A few days after the meeting, Michael called BRADLEY and told him he would like to put in \$50,000. BRADLEY told Michael he would forward him a copy of the promissory note so he could get an idea of the terms and conditions prior to investing.
51. Michael called BRADLEY and asked if his mother could invest. BRADLEY told Michael that the number of investors was limited. BRADLEY suggested that Michael issue a note to his mother and then he could invest his mother's money in his own name. Michael was not willing to have a note with his mother, and BRADLEY eventually agreed to accept an investment from his mother.
52. On January 18, 2007 Michael mailed two checks to BRADLEY, one from himself for \$50,000 made payable to Race, and the other from his mother, Connie Lynn Roberts for \$36,000 made payable to Race.

53. Michael received a promissory note in the mail from Race. The promissory note was for \$50,000 at 3% per month, dated February 1, 2007, and contained the signature of BRADLEY, the managing member.
54. On June 18, 2007 Michael mailed a check for \$35,000 from his mother to Race.
55. After investing, Michael received a total of six interest payments totaling \$9,000.
56. In September 2007, Michael received a telephone call from BRADLEY. BRADLEY told Michael that this is a call he hates to make, but there was a temporary problem with Founders Capital. BRADLEY told Michael that all accounts had been frozen by the Securities Division. BRADLEY said he could not make any more payments and that he had been making payments for a few months out of his own pocket.
57. Michael decided that he could not allow his mother to find out there was a problem with her investment. Michael called BRADLEY and told him he was going to make his mother's payments and BRADLEY needed to add those payments to his note. Since September, Michael has paid his mother's interest payments. Michael would give a check to BRADLEY, BRADLEY would run the check through his account, and get a cashier's check made payable to Connie.
58. In November 2007 Michael decided that he could not keep paying 3% per month on both of his mother's notes, so he paid off his mother's \$35,000 note through BRADLEY.
59. Michael has asked multiple times for an updated note showing all the money he has paid to his mother, BRADLEY keeps telling him he will get it for him.

60. Even though request has been made, Michael has not received back any of his principal.

COUNT 4
SECURITIES FRAUD, a second degree felony
(Connie Lynn Roberts)

61. Connie Lynn Roberts learned about BRADLEY and Race from her son, Michael Roberts. Michael told her Race was located in Mapleton, and that Race would use the money to invest in a lot of things. Michael recommended that Connie look at the Franklin Squires' web site. Michael told her that there was risk, but with a \$36,000 investment she could expect about a \$1,080 interest payment every month.

62. On January 18, 2007 Connie decided to invest by writing a personal check to Race for \$36,000. Connie does not remember if she gave the check to her son to give to BRADLEY, or if she mailed the check herself.

63. After investing, Connie received a promissory note for \$36,000 at 3% per month; the note contained the signature of BRADLEY, the managing member.

64. On June 15, 2007 Connie decided to invest again by writing a personal check to Race, LLC for \$35,000. Connie does not remember if she gave the check to her son to give to BRADLEY, or if she mailed the check herself.

65. Connie Never received a promissory note for her second investment.

66. Connie said she did receive her monthly payments, but sometimes they were late.

67. On September 13, 2007, Connie wrote a letter to Race and BRADLEY requesting repayment of both of her investments.

74. A source and use analysis of Race's bank records shows that Connie's investment of \$35,000 was used to pay for \$14,042 for some land in Manti, \$19,241 in interest payments to Race investors (including a \$1,080 interest payment to herself), \$82.01 paid to XM Satellite Radio, \$1,000 to Dram Maker, and \$1,371 to Volkswagen.

COUNT 7

**PATTERN OF UNLAWFUL ACTIVITY, a second degree felony
(Ron and Wendy Hendry, Rosemary Markham, Michael Roberts, Connie Lynn Roberts)**

75. Commencing on or about April 2006, BRADLEY engaged in conduct which constituted the commission of at least three episodes of unlawful activity as defined in Utah Code Ann. §76-10-1603. BRADLEY: (1) received proceeds derived, directly or indirectly, from a pattern of unlawful activity, in which he participated as a principal, or he used or invested, directly or indirectly, any part of that income, or the proceeds derived from the investment or use of those proceeds, in the acquisition of any interest in, or establishment of, any enterprise; (2) through a pattern of unlawful activity acquired or maintained, directly or indirectly, any interest in or control of any enterprise; or (3) was employed by, or associated with any enterprise and conducted or participated, whether directly or indirectly, in the conduct of that enterprise's affairs through a pattern of unlawful activity. The unlawful activity included three or more violations of securities fraud. This is a violation of Utah Code Ann. §76-10-1603(5), a second degree felony.

68. On November 21, 2007, Connie received an official check from Race for \$35,000, paying off her second investment in full.
69. Although demand has been made, Connie has not received back the principal from her first investment.

COUNT 5
THEFT, a second degree felony
(Michael Roberts)

70. Michael was told by BRADLEY that Race would decided how to invest his money for a profit.
71. A source and use analysis of Race's bank records shows that Michael's investment of \$50,000 was used to pay all or part of \$17,174 in interest payments to Race investors, \$50,000 to Construction by Design, \$695 to Cleansite Disposal, LLC, \$15,000 to Randy Bradley, \$1,371 to Volkswagen, and \$1,200 to Warmick Design.

COUNT 6
THEFT, a second degree felony
(Connie Lynn Roberts)

72. Connie was told that Race would use her money to invest in a lot of things.
73. A source and use analysis of Race's bank records shows that Connie's investment of \$36,000 was used to pay all or part of \$17,174 in interest payments to Race investors, \$50,000 to Construction by Design, \$695 to Cleansite Disposal, LLC, \$15,000 to Randy Bradley, \$1,371 to Volkswagen, and \$1,200 to Warmick Design.

SUMMARY

There is probable cause to believe that RANDY J. BRADLEY committed the crimes of:

SECURITIES FRAUD
a second degree felony, 4 counts

THEFT
a second degree felony, 2 counts

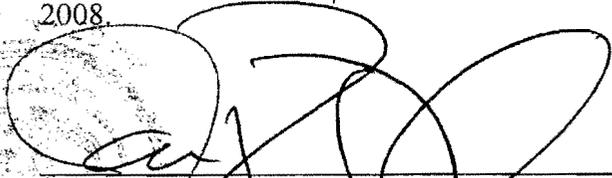
PATTERN OF UNLAWFUL ACTIVITY
a second degree felony, 1 count

DATED this 14 day of August, 2008.



JONATHAN STEWART, Affiant

SUBSCRIBED AND SWORN before me this
14 day of Aug.
2008.



JUDGE, FOURTH DISTRICT COURT

I CERTIFY THAT THIS IS A TRUE COPY OF
AN ORIGINAL DOCUMENT ON FILE IN THE
FOURTH JUDICIAL DISTRICT COURT, UTAH

DATE: 08-14-2008

DEPUTY CLERK

