

**BEFORE THE ARKANSAS SECURITIES COMMISSIONER**

**CASE NO. S-12-0077**

**ORDER NO. S-12-0077-15-OR02**

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ARKANSAS SECURITIES DEPT.

**IN THE MATTER OF**

**INTERACTIVE DIGITAL SYSTEMS, LLC;  
AD-MAR, LLC; DENNIS F. ROBINSON; and  
JAN RICHEY ROBINSON**

**RESPONDENTS**

**CEASE AND DESIST ORDER**

On May 29, 2015, the Staff of the Arkansas Securities Department (“Staff”) filed its Request for Cease and Desist Order (“Request”). In its Request, the Staff states that it has certain information and evidence indicating that Interactive Digital Systems, LLC; AD-MAR, LLC; Dennis F. Robinson; and Jan Richey Robinson have violated provisions of the Arkansas Securities Act (“Act”), codified at Ark. Code Ann. §§ 23-42-101 through 23-42-509. The Arkansas Securities Commissioner (“Commissioner”) has reviewed the Request and based upon the representations made therein finds that:

**FINDINGS OF FACT**

The Request contains the following representations of fact:

1. Interactive Digital Systems, LLC (“IDS”) is a limited liability company organized and existing under the laws of the state of Arkansas. At all relevant times herein, IDS had a principal place of business located at 1401 Southeast Walton Boulevard #201, Bentonville, Arkansas 72712. Dennis F. Robinson and Jan Richey Robinson maintain ownership and control of IDS through a majority ownership of the available membership shares in the company. IDS has never been registered with the Arkansas Securities Department (“Department”) in any capacity pursuant to the Act.

2. AD-MAR, LLC (“AD-MAR”) is a limited liability company organized and existing under the laws of the state of Arkansas. At all relevant times herein, AD-MAR had a

principal place of business located at 2003 South 52nd Street, Suite 3, Rogers, Arkansas 72758. Dennis F. Robinson and Jan Richey Robinson maintain ownership and control of AD-MAR through a majority ownership of the available membership shares in the company. AD-MAR has never been registered with the Department in any capacity pursuant to the Act.

3. Dennis F. Robinson (“D. Robinson”) is an individual currently residing in the state of Florida. D. Robinson is a member/manager of IDS and AD-MAR. At all relevant times herein, D. Robinson was a resident citizen of Bentonville, Arkansas. D. Robinson is the spouse of Jan Richey Robinson. D. Robinson has never been registered with the Department in any capacity pursuant to the Act.

4. Jan Richey Robinson (“J. Robinson”) is an individual currently residing in the state of Florida. J. Robinson is a member/manager of IDS and AD-MAR. At all relevant times herein, J. Robinson was a resident citizen of Bentonville, Arkansas. J. Robinson is the spouse of D. Robinson. J. Robinson has never been registered with the Department in any capacity pursuant to the Act.

5. According to a company Partnership Agreement, AD-MAR is in the business of kiosk marketing and advertising. In its business plan, the company proposed to generate revenues through leasing fees paid by businesses wishing to advertise and market goods and services on kiosks owned by AD-MAR. The business plan was subtitled with the slogan “Unlocking Your Advertising & Marketing Today with Tomorrow’s Technology.” Defendant IDS is a successor company to AD-MAR. Many investors who purchased interests in AD-MAR were later given membership interests in IDS as AD-MAR began to wind up its business interests.

6. As evidenced by a company Membership Agreement and through company marketing materials, IDS is in the business of developing software and manufacturing hardware for kiosks to be sold to consumers and businesses for use in a variety of applications. The IDS website (<http://www.idskiosk.com>) contains the following statement regarding the nature of the company's business: "IDS helps businesses succeed in the new era of digital economy. With a combination of consulting, creativity, design, and engineering expertise, IDS enables businesses to gain and sustain market leadership by implementing complete multi-media marketing business solutions."

7. As early as 2003, J. Robinson and D. Robinson began soliciting investors in AD-MAR and IDS through the use of business circulars, prospectuses, websites, and face-to-face meetings. J. Robinson and D. Robinson represented to investors that AD-MAR and IDS were in need of capital to market their technologies to national corporations and expand the manufacturing sections of their companies.

8. From 2003 to 2009, J. Robinson and D. Robinson solicited a minimum of \$1,419,000.00 from at least twenty-four different investors through the offer and sale of membership interests in AD-MAR and IDS. The majority of investors are Arkansas residents; however, several are located in other states throughout the country. J. Robinson and D. Robinson caused AD-MAR and IDS to issue Membership Certificates to investors representing a percentage ownership interest in the company based on the amount of the investment.

9. As part of its investor recruitment process, AD-MAR distributed a business plan that the company had no ability or means to set into action. The plan contained the following assurance with regard to the status of the kiosk technology and hardware: "[t]he software development is completed and alliances with hardware and kiosk construction companies are

completed, to and including [sic] , local software maintenance for the care and maintenance of the kiosks on a twenty four [sic] hour repair basis.” Following that statement, the plan set out a six-prong approach for the company’s business prospects:

A. [AD-MAR] will offer businesses, resorts, and hotels the option to lease kiosks for their marketing locations;

B. [AD-MAR] will place kiosks at strategic airport and high traffic consumer locations;

C. [AD-MAR] will provide targeted major clients with our advertising results and secure contracts for additional kiosk installations;

D. [AD-MAR] will roll out kiosks at a pace of 31 kiosks for the start of our first quarter throughout the U.S. at which point we will entertain additional installations;

E. [AD-MAR] will develop relationships with advertisers from current advertising periodicals statewide and develop alliances with City Guides and State Guides;

F. [AD-MAR] will develop relationships with DOT agencies in every state in order to place our kiosks in strategic locations throughout the United States.

10. To solicit investment in IDS, J. Robinson and D. Robinson pitched a business plan to investors that the company had no ability or means to set into action. The IDS website contains information regarding the proposed business plan and details six primary areas of operation for the company, as follows:

A. IDS Software: Developing point-of-sale marketing and advertising solutions to be placed in corporations, hotels, retail stores, grocery stores, and food venues;

B. Emergency Family Alert System: Kiosks and digital signage to be placed in zoos, parks, arenas, and other venues displaying photos and information for missing children and adults;

C. IDS Manufacturing: Developing kiosks and offering digital signage to large companies and small businesses;

D. Smart Card: Identification cards created with secured accessibility and an encrypted chipset embedded with an individual's DNA and other biometric identifiers;

E. IDS Database: Developing powerful database collection applications to perform behavioral marketing analysis for corporate marketing;

F. Net-on-the-Go Solution: Offering a turnkey package which takes internet connectivity on the road for vacation and business travelers.

11. J. Robinson and D. Robinson promised investors potentially large returns on their principal investment in a relatively short amount of time, ranging from several months to a year. Additionally, investors were promised dividends from the company on a continuing and regular basis. An investment prospectus issued by AD-MAR showed the company would be generating over a million dollars in net income each year within the first five years. The prospectus showed that a 1% ownership interest in the company would yield a return of over \$80,000.00 in the first year, with this amount increasing to over \$100,000.00 per year within the first five years. An investment prospectus issued by IDS projected that kiosk-generated revenues derived from the main business operations of the company were expected to exceed over \$4 million in twelve months. Further, the prospectus states that a five-year projection shows net profit increases of 100% for each year thereafter. Neither prospectus cites any sources to support these speculative projections.

12. In marketing the membership interests, J. Robinson and D. Robinson made numerous statements to investors which were false and misleading, including, but not being limited to, the following:

A. The Defendants possessed patents for software designed to support kiosks intended for placement in airports, zoos, concert venues, sports venues, convention centers, theme parks, grocery stores, liquor stores, malls, pharmacies, hospitals, medical clinics, hotels, resorts, and timeshares;

B. The Defendants were in talks with, and on the verge of negotiating contracts with, large national and multi-national companies such as Kroger, Walgreen's, NASCAR, Tyson Foods, Sam's Club, Costco, AARP, Wal-Mart, Dick's Sporting Goods, and CVS Drug Stores to place kiosks in retail stores across the country;

C. The Defendants were in talks with executives at PepsiCo and The Coca-Cola Company to enter into contracts whereby IDS would receive revenues from advertisements displayed on company kiosks installed at various sporting and concert venues across the country;

D. The Defendants had developed flash demos of kiosk software and hardware that had been used in The Mayo Clinic, Sobey's Grocery Stores, Century 21 Realty Offices, and various hospitals throughout the country;

E. The Defendants owned a local manufacturing plant and were in the process of launching a new line of kiosks for design and manufacture in Rogers, Arkansas.

13. In addition to making numerous false and misleading statements, J. Robinson and D. Robinson failed to disclose to investors certain pertinent and material financial information related to the investments being offered, including, but not being limited to, the following:

A. The personal residence of J. Robinson and D. Robinson had been foreclosed on by Community First Bank as the result of a civil action filed in the Circuit Court of Benton County, Arkansas in 2007;

B. A previous investor in IDS had obtained a monetary judgment in the amount of \$50,000.00 against IDS on November 19, 2008, in the Circuit Court of Benton County, Arkansas, based on allegations of fraud levied against J. Robinson for false and misleading representations made to induce investment in IDS;

C. J. Robinson and D. Robinson had filed for Chapter 13 Bankruptcy in the United States Bankruptcy Court for the Western District of Arkansas on August 11, 2009, which was prior to accepting at least \$131,000.00 of investor money in IDS.

14. As of the filing of this Complaint, none of the investors have received a return on their principal investment. While J. Robinson and D. Robinson represented that investor funds would be used for business purposes, the vast majority of the funds were converted for their personal use. J. Robinson and D. Robinson used investor money to pay for housing, cars, meals, entertainment, clothing, and vacations, as well as to purchase various items and services at spas, salons, liquor stores, and cigar shops. J. Robinson and D. Robinson additionally used investor money to pay for personal moving expenses and to tender a housing deposit on a rental home in Florida.

15. Several investors have contacted J. Robinson and D. Robinson to receive information regarding the ongoing business of IDS and inquire as to whether they should expect a return on their initial investment at any point in the future. In response, J. Robinson and D. Robinson have made additional “lulling statements” to investors which were false and

misleading and designed to cover up fraudulent statements made to induce investment in IDS. These statements have included, but have not been limited to, the following:

A. A CEO with an extensive information technology background who had previously written programs for NASA was joining IDS to make additional perfections to kiosk software necessary to sell the technology to interested companies;

B. A former president from a durable medical equipment company with connections to all the large pharmaceutical companies was joining IDS to help market the kiosk technology to interested companies;

C. A deal between IDS and Dick's Sporting Goods for the purchase of kiosk software and hardware had been in place but subsequently fell through after people associated with Kroger attempted to steal IDS's technology and sabotage the deal;

D. Wal-Mart had been conducting successful beta testing on IDS kiosk software and a deal was in place for Wal-Mart to buy IDS kiosks in the near future;

E. IDS had accepted a proposed buy-out offer from a billion dollar company interested in purchasing and marketing IDS's technology and details of the buyout were being worked out by the purchasing company's lawyers.

16. The membership interests offered and sold by IDS, AD-MAR, J. Robinson, and D. Robinson were not registered as securities pursuant to the Act. Regarding these investments, the Department has found no record of a filing evidencing a proof of exemption in accordance with the Act and no notice filing pursuant to federal law in connection with a covered security.

#### **APPLICABLE LAW**

17. Ark. Code Ann. § 23-42-102(17)(A)(xi) includes investment contracts under the Act's definition of a security.



18. Ark. Code Ann. § 23-42-102(10) defines issuer as any person who issues any security.

19. Ark. Code Ann. § 23-42-301(a) provides that it is unlawful for any person to transact business as an agent of an issuer of securities without first being registered as such pursuant to the Act.

20. Ark. Code Ann. § 23-42-501 provides that it is unlawful for any person to offer or sell any security unless it is registered, exempt, or a covered security.

21. Ark. Code Ann. § 23-42-507(2) makes it unlawful for any person, in connection with the offer, sale, or purchase of any security, directly or indirectly, to make any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they are made, not misleading.

22. Ark. Code Ann. § 23-42-507(3) makes it unlawful to engage in any act, practice, or course of business which operates or would operate as a fraud or deceit upon any person.

#### **CONCLUSIONS OF LAW**

23. The subject membership interests issued by IDS and AD-MAR and sold to investors by D. Robinson and J. Robinson constitute securities as defined by Ark. Code Ann. § 23-42-102(17)(A)(xi). The membership interests were advertised, offered, and sold on the premise that investors would receive economic benefits in the form of large returns on their principal investment. The investors contributed to the risk capital of the ventures. The money invested was always subject to the risk that the Respondents would not fulfill promises and investors would not receive the return advertised. The investors had no control over the collection process necessary to generate returns on the investment. The membership interests were packaged, advertised, marketed, and sold as the types of investments that the Act is

intended to govern. Therefore, the subject transactions are investment contracts under Ark. Code Ann. § 23-42-102(17)(A)(xi).

24. None of the securities sold by IDS, AD-MAR, D. Robinson, and J. Robinson were registered with the Department, exempt from registration with the Department, or a covered security. Therefore, IDS, AD-MAR, D. Robinson, and J. Robinson violated Ark. Code Ann. § 23-42-501 when they sold the subject securities to investors.

25. IDS and AD-MAR are both defined as an issuer by Ark. Code Ann. § 23-42-102(10). The facts set out above demonstrate that D. Robinson and J. Robinson represented AD-MAR and IDS in effecting or attempting to effect purchases or sales of securities to investors. Therefore, D. Robinson and J. Robinson acted as unregistered agents of an issuer in violation of Ark. Code Ann. § 23-42-301(a).

26. IDS, AD-MAR, D. Robinson, and J. Robinson committed securities fraud in violation of Ark. Code Ann. § 23-42-507(2) by making false and misleading statements to investors and by omitting to state material facts necessary to make statements made, in light of the circumstances under which they were made, not misleading, as set forth above in paragraphs twelve through fourteen.

27. IDS, AD-MAR, D. Robinson, and J. Robinson committed securities fraud in violation of Ark. Code Ann. § 23-42-507(3) by engaging in an act, practice, or course of business that has operated as a fraud or deceit upon investors of IDS and AD-MAR and by converting investor funds for the unauthorized personal use of D. Robinson and J. Robinson, a purpose not aligned with the reasons for which the subject securities were advertised, marketed, and sold.

#### **ORDER**

28. Respondents shall immediately cease and desist from further violations of Ark. Code Ann. § 23-42-501, and refrain from soliciting, offering, and/or selling securities in

Arkansas unless the securities are properly registered pursuant to the Act, exempt from such registration, or a covered security.

29. Respondents D. Robinson and J. Robinson shall immediately cease and desist from further violations of Ark. Code Ann. § 23-42-301, and refrain from acting as an agent of the issuer until such time as he or she is properly registered or shown to be exempt from registration pursuant to the Act.

30. Respondents shall immediately cease and desist from further violations of Ark. Code Ann. § 23-42-507(2) and Ark. Code Ann. § 23-42-507(3), and refrain from committing fraud or deceit in connection with the offer or sale of any securities in Arkansas.

31. A hearing on this Cease and Desist Order shall be held if requested by any of the Respondents in writing within thirty days of the entry of this Order or if otherwise ordered by the Commissioner. Ark. Code Ann. § 23-42-209(a)(2)(A). Such request should be addressed to the Commissioner and submitted to the following address:

Arkansas Securities Commissioner  
201 East Markham, Suite 300  
Little Rock, Arkansas 72201

32. If no hearing is requested and none is ordered by the Commissioner, this Cease and Desist Order will remain in effect until it is modified or vacated by the Commissioner. Ark. Code Ann. § 23-42-209(a)(2)(B).

Dated this 29<sup>th</sup> day of May, 2015.

  
B. Edmond Waters  
Arkansas Securities Commissioner