

BEFORE THE ARKANSAS SECURITIES COMMISSIONER

Case No. S-08-006

IN THE MATTER OF

CHAR-RAN COMPANY, LLC,
RANDOLPH MARTIN, Sr., and
CHAROLETT MARTIN

Order No. S-08-006-08-CD01

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CEASE AND DESIST ORDER

On July 21, 2008, the Staff of the Arkansas Securities Department (“Staff”) filed its Request for Cease and Desist Order (“Request”) stating that it has received information and has in its possession certain evidence which indicates Char-Ran Company, LLC, Randolph Martin, Sr., and Charolett Martin 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 upon the representations made therein, finds:

FINDINGS OF FACT

1. The Staff’s Request asserts the following representations of fact:
 - a. Records of the Arkansas Secretary of State indicate that Char-Ran Company, LLC, (“Char-Ran”) was at all times discussed herein a limited liability company located in Little Rock, Arkansas. Char-Ran’s current principal address is listed as 1816 South Pulaski Street, Little Rock, Arkansas 72206. Char-Ran’s former principal address was listed as 1819 South Main Street, North Little Rock, Arkansas 72114.
 - b. Randolph Martin, Sr. (“R. Martin”) was at all times discussed herein a resident of Little Rock, Arkansas. His last known address is 1816 South

Pulaski Street, Little Rock, Arkansas 72206. According to records of the Arkansas Secretary of State, R. Martin is the Incorporator/Organizer of Char-Ran.

- c. Charolett Martin (“C. Martin”) was at all times discussed herein a resident of Little Rock, Arkansas. Her last known address is 1816 South Pulaski Street, Little Rock, Arkansas 72206. According to records of the Arkansas Secretary of State, C. Martin is the Manager of Char-Ran.
- d. R. Martin and C. Martin incorporated Char-Ran on May 23, 2002. Char-Ran originally registered the domain name char-rancompany.com (“Website”) in December 2006. Char-Ran used this Website to promote Char-Ran’s real estate planning and development program and property management in central Arkansas.
- e. R. Martin is listed as the Director of Community Affairs and Managing Member of Char-Ran on the Website. C. Martin is listed as the Chief Financial Officer and Managing Member of Char-Ran on the Website.
- f. In April 2007, R. Martin solicited an Arkansas consumer (“Consumer”) in Little Rock, Arkansas, to invest money with Char-Ran and R. Martin. In discussions with Consumer, R. Martin represented that Consumer would be paid a \$15,000 return on an investment of \$60,000 within a period of three months.
- g. On April 23, 2007, R. Martin presented Consumer with a Profit Share Plan and a Consulting Agreement for Investment for Real Estate Development Service (“Consulting Agreement”). The Profit Share Plan provided details

of projected profits for a real estate development project involving construction of a residential home on a vacant lot at 2101 S. Ringo in Little Rock, Arkansas. According to the Profit Share Plan, Consumer would invest \$60,000 in vacant property at 2101 S. Ringo where a residential home would be built and sold by Char-Ran, the general partner and developer. The home would be sold for \$120,000. Char-Ran and the Consumer would split the profits from the sale resulting in a \$15,000, or 12.5% return for Consumer, the investor.

- h. The Consulting Agreement parties are Char-Ran and Consumer. Char-Ran is called “consultant” in the Consulting Agreement and is represented to be in the business of real estate development. According to the Consulting Agreement, Char-Ran will provide project management, construction, and a purchaser of the resulting constructed residential home. Consumer is referred to as “client” in the Consulting Agreement and is to provide funds in the amount of \$60,000 to Char-Ran to be used to purchase the property, and construct and sell the home.
- i. On or around April 23, 2007, the Consumer invested \$60,000 with Char-Ran and R. Martin in accordance with the Profit Share Plan and the Consulting Agreement, together hereinafter referred to as the Profit-Sharing Agreement.
- j. Records obtained by the Staff indicate that a residential property lot located at 2101 S. Ringo Street, Little Rock, Arkansas (“Property”), was purchased by Char-Ran.

- k. After a six-month period with no observable construction on the Property, and after Consumer repeatedly contacted Char-Ran and R. Martin for an update on her investment, Consumer requested a return of her investment money due to Char-Ran's failure to fulfill its obligations of the contract.
- l. On January 31, 2008, the Consumer received a letter from R. Martin on Char-Ran letterhead stating that Consumer invested \$60,000 with Char-Ran on April 23, 2007, that the funds have not been returned according to the agreement, that Consumer has not had any gain on the \$60,000, and the entire amount has been a loss to Consumer.
- m. As of this date a residential home has not been constructed on the Property, and neither the invested funds nor any portion of the invested funds have been returned to Consumer.
- n. On May 27, 2008, the Staff requested an itemized accounting of Char-Ran's expenditures in using the Consumer's investment money. The Staff has received no response to this request.
- o. The records of the Department reflect no registration filing or exemption from registration filing for sales of securities in Arkansas, including the Profit-Sharing Agreement, by Char-Ran, R. Martin or C. Martin.

CONCLUSIONS OF LAW

2. This matter has been properly brought before the Commissioner in accordance with Ark. Code Ann. §§ 23-42-201 and 23-42-209.

3. Investment contracts and certificates of interest or participation in any profit-sharing agreement are securities. Ark. Code Ann. § 23-42-102(15)(A). The

Consumer was totally dependant upon Char-Ran, R. Martin and C. Martin for the successful construction and sale of a residential home and the promised return on her investment. The Consumer entered into the Profit-Sharing Agreement with the expectation of receiving profits in the amount of \$15,000 from her investment of \$60,000 to be produced from the efforts of Char-Ran, R. Martin and C. Martin. The Consumer's investment, as evidenced by the Profit-Sharing Agreement, is an investment in securities as defined by Ark. Code Ann. § 23-42-102(15)(A).

4. It is unlawful for any person to offer or sell any security in this state unless it is registered or exempt from registration under the terms of the Act. Ark. Code Ann. § 23-42-501. Char-Ran, in offering and executing the Profit-Sharing Agreement, which was not registered or exempted from the registration provisions of the Act, sold unregistered and non-exempt securities in violation of Ark. Code Ann. § 23-42-501.

5. It is unlawful for any person, in connection with the offer, sale, or purchase of any security, directly or indirectly, to engage in any act, practice or course of business which operates or would operate as a fraud or deceit upon any person. Ark. Code Ann. § 23-42-507. The statements made by R. Martin to the Consumer in soliciting and selling the Profit-Sharing Agreement together with the failure by Char-Ran, R. Martin and C. Martin to use Consumer's money to construct and sell a residential home and provide Consumer with the promised return of \$15,000 along with her principal investment of \$60,000 or any portion of the \$75,000 total amount due to Consumer constituted acts and a course of business which operated as a fraud or deceit upon the Consumer in violation of Ark. Code Ann. § 23-42-507.

6. Whenever it appears to the Commissioner, upon sufficient grounds or evidence satisfactory to the Commissioner, that any person has engaged or is about to engage in any act of practice violating the Act, or any rule or order under the Act, the Commissioner may summarily order the person to cease and desist from the act or practice. Ark. Code Ann. § 23-42-209(a)(1)(A). Based on the Findings of Fact and Conclusions of Law, this Order is in the public interest and is appropriate pursuant to Ark. Code Ann. § 23-42-209.

ORDER

IT IS THEREFORE ORDERED that Char-Ran Company, LLC, Randolph Martin, Sr., and Charolett Martin immediately CEASE AND DESIST from the acts or practices set forth above or any other acts or practices involving offering or selling any security in Arkansas until the security is properly registered or is offered or sold pursuant to an exemption from registration under the Arkansas Securities Act;

BE IT FURTHER ORDERED, that Char-Ran Company, LLC, Randolph Martin, Sr., and Charolett Martin immediately CEASE AND DESIST from the acts or practices set forth above or any other acts or practices involving acts and a course of business which operate as a fraud or deceit upon Arkansas residents.

A hearing on this Order shall be held upon the written request of Char-Ran Company, LLC, Randolph Martin, Sr., or Charolett Martin if such request is received by the Commissioner within thirty days of the date of this Order. Such request should be addressed to the Commissioner and submitted to the following address:

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

If no hearing is requested or ordered by the Commissioner, this Order will remain in effect until it is modified or vacated by the Commissioner. Ark. Code Ann. § 23-42-209(a)(2).

A. Heath Abshire

A. Heath Abshire
Arkansas Securities Commissioner

Date: July 28, 2008