

**IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF GEORGIA
ATLANTA DIVISION**

SECURITIES AND EXCHANGE COMMISSION,)	
)	
Plaintiff,)	
)	
v.)	Civil Action No.
)	
RICHARD J. RANDOLPH, III)	
)	
Defendant.)	
)	

COMPLAINT

Plaintiff Securities and Exchange Commission alleges as follows:

I. INTRODUCTION

1. The Commission brings this action to enjoin Richard J. Randolph, III (“Randolph”) from violating the antifraud provisions of the federal securities laws. Randolph, a Georgia resident, raised more than \$1.6 million from at least 14 investors over the last 5 years. During this time, Randolph repeatedly persuaded investors to fund purported real estate and business projects that Randolph promoted with fraudulent misrepresentations.

2. Instead of using the funds as promised, Randolph misappropriated a substantial amount of investor proceeds, including making over \$400,000 in cash

withdrawals for unauthorized purposes. Randolph also routinely used investments in one business to fund the activities of other Randolph-controlled businesses in which investors had no interest.

3. The primary vehicle for Randolph's fraud was Randolph Acquisitions, Inc. ("RAI"). From August 2017 through mid-2018, Randolph raised over \$1.1 million through the unregistered offer and sale of shares of RAI stock and RAI investment contracts.

4. In connection with the RAI fraud, Randolph made fraudulent misrepresentations and omissions, including touting RAI's upcoming merger with Gallagher Management Group, LLC ("Gallagher Management"), another entity owned and controlled by Randolph. Randolph misled prospective RAI investors with a variety of false information regarding Gallagher Management, including fraudulent audited financial statements and a valuation report that, among other things, grossly overstated the value of Gallagher Management's assets. Randolph also directed prospective investors to RAI's SEC-filings to lend an additional air of legitimacy to his businesses.

5. Prior to his RAI offering fraud, Randolph raised at least \$390,000 through other offering frauds, including the issuance of an "Investor Agreement" by Gallagher Management and the issuance of limited partnership interests by The

Gallagher Fund, LP (the “Gallagher Fund”), another entity controlled by Randolph. In connection with these offerings, Randolph misrepresented the entities’ businesses and the planned uses of investor proceeds.

6. As a result of the conduct alleged in this Complaint, Randolph violated Section 17(a) of the Securities Act of 1933 (“Securities Act”), 15 U.S.C. § 77q(a) and Section 10(b) and Rule 10b-5 of the Securities Exchange Act of 1934 (“Exchange Act”), 15 U.S.C. § 78j(b) and 17 C.F.R. § 240.10b-5. Unless restrained and enjoined, Randolph is reasonably likely to continue to violate the federal securities laws.

7. The Commission therefore respectfully requests the Court enter permanent injunctions restraining and enjoining Randolph from: (i) violating the federal securities laws; (ii) acting as an officer or director of an issuer that has a class of securities registered pursuant to Section 12 of the Exchange Act or that is required to file reports pursuant to Section 15(d) of the Exchange Act; and (iii) from directly or indirectly participating in the issuance, purchase, offer, or sale of any security (provided, however, that such injunction shall not prevent Randolph from purchasing or selling securities listed on a national securities exchange for his own personal accounts).

8. The Commission also respectfully requests that the Court enter an order directing Randolph to pay disgorgement of his ill-gotten gains with prejudgment interest, as well as a civil money penalty.

II. DEFENDANT AND RELATED ENTITIES UNDER HIS CONTROL

9. **Randolph**, age 39, is a resident of Atlanta, Georgia, who offered numerous investments in business projects and entities controlled by him. Randolph was the chief executive officer of and/or controlled RAI, Gallagher Management, and the Gallagher Fund (and its general partner, the Gallagher Group, LLC (“Gallagher Group”)).

10. **RAI** was a Delaware corporation headquartered in Tucker, Georgia, that purported to engage in various lines of business, including real estate acquisition and development, mergers and acquisitions, asset management, and “capital investment ventures.” RAI was an issuer whose common stock was registered pursuant to voluntary registration under Section 12(g) of the Exchange Act; however, all of RAI’s shares were issued in private offerings, its shares were not publicly traded on any exchange, and it is not current in its reporting obligations.

11. **Gallagher Management** was a Georgia limited liability company controlled by Randolph that purportedly merged with RAI in February 2018. The

merger was later withdrawn according to a corrective filing in November 2018.

Gallagher Management was administratively dissolved in August 2019.

12. **Gallagher Fund** was a Georgia limited partnership controlled by Randolph that has been defunct for several years. The fund was used by Randolph to solicit investments. It never engaged in any business activities.

13. **Gallagher Group** was a Georgia limited liability company that was administratively dissolved in December 2016. Gallagher Group was controlled by Randolph and was the General Partner of the Gallagher Fund.

III. JURISDICTION AND VENUE

14. The Court has subject matter jurisdiction over this action pursuant to Sections 20(b), 20(d) and 22(a) of the Securities Act, 15 U.S.C. §§ 77t(b), 77t(d) and 77v(a), and Sections 21(d) and 27(a) of the Exchange Act, 15 U.S.C. §§ 78u(d) and 78aa(a).

15. The Court has personal jurisdiction over Randolph, and venue is proper in this District, because, among other things: (i) Randolph solicited clients and offered or sold securities to investors in this District; (ii) Randolph is a resident of this District; and (iii) some or all of the acts and transactions in which Randolph engaged and that constitute violations of the federal securities laws occurred in this District.

16. In connection with the conduct alleged in this Complaint, Randolph, directly and indirectly, singly or in concert with others, has made use of the means or instrumentalities of interstate commerce, the means or instruments of transportation or communication in interstate commerce, the mails, and/or the facilities of a national securities exchange.

IV. FACTUAL ALLEGATIONS

17. Since at least 2015, Randolph has raised more than \$1.6 million from at least 14 investors through the sale of securities issued by three entities he owned and/or controlled: RAI; the Gallagher Fund; and Gallagher Management.

Gallagher Management's Fraudulent Audited Financial Statements and Valuation

18. In 2017, Randolph began preparing to merge Gallagher Management into RAI in order to use the alleged assets of Gallagher Management to entice investors to invest in RAI. Randolph claimed that Gallagher Management had assets of \$28.55 million.

19. In mid-2017, Gallagher Management engaged an accounting firm to audit its 2016 financial statements.

20. Randolph provided false information to the accounting firm and was successful in obtaining an audit opinion based on fraudulent representations and falsified documents he provided to the accounting firm.

21. Post-audit, the balance sheet included in Gallagher Management's 2016 financial statements had only two asset classes totaling \$28.55 million. It showed no liabilities.

22. Almost all of Gallagher Management's claimed assets were fabricated by Randolph.

23. One of Gallagher Management's asset classes was real estate in the form of six properties. The value ascribed to those six properties was \$25.8 million.

24. However, two of those properties, valued by Randolph at a combined \$10 million, were never owned by Gallagher Management, Randolph, or any Randolph entity.

25. Another property, valued by Randolph at \$10.5 million, had been purchased by Gallagher Management in September 2016 for only \$1.1 million (subject to a \$1.1 million mortgage secured by the property). Gallagher Management then sold the property in August 2017 for \$1.2 million.

26. A fourth property, valued by Randolph at \$4.5 million, was acquired in January 2016 for \$425,000 by one of Randolph's other entities. It was not transferred to Gallagher Management until March 2017, by which time it was encumbered by several secured mortgage loans. Gallagher Management defaulted

on the mortgages and this fourth property was sold at auction in April 2018 for only \$687,500.

27. Gallagher Management's audited financials also grossly overstated the value of its other asset class: cash and cash equivalents.

28. Of the \$2.75 million in cash and cash equivalents on Gallagher Management's balance sheet, \$2.5 million was based on a bank statement falsified by Randolph.

29. The actual balance of the bank account at the time was about \$58,000.

30. In addition to false financial information, the notes to Gallagher Management's 2016 audited financial statements included other misrepresentations.

31. For example, the notes stated that Gallagher Management "has consistently maintained over \$50 million dollars [sic] in assets, under management, annually." This statement was false when made because Gallagher Management never had anywhere near \$50 million in assets under management.

32. The notes also stated that Gallagher Management "[p]rovides a broad range of investment banking services to a diverse group of corporations, financial institutions, investment funds, and governments." This statement was false when made because Gallagher Management never provided investment banking services.

33. In addition, the notes stated that Gallagher Management “[p]rovide[s] investment management services and offer[s] investment products (primarily through separately managed accounts, such as mutual funds and private investment funds) across all major asset classes to a diverse set of institutional and individual clients.” This statement was false when made because Gallagher Management never engaged in any of these lines of business.

34. Randolph subsequently used Gallagher Management’s 2016 audited financial statements and false property valuation information prepared by Randolph to obtain a grossly overstated valuation of Gallagher Management from a third party.

Randolph’s Offer and Sale of RAI Stock

35. Between August 2017 and mid-2018, Randolph sold, in an unregistered transaction, at least \$1 million of RAI common shares to at least nine investors in connection with a touted forthcoming merger between RAI and Gallagher Management.

36. Randolph used Gallagher Management’s audited financial statements and valuation to convince investors to invest in RAI. He provided prospective investors with copies of the documents, touted Gallagher Management’s value,

and/or directed prospective investors to RAI's various SEC filings, several of which attached Gallagher Management's audited financial statements.

37. Randolph also made a number of other misrepresentations to investors.

38. For example, Randolph repeatedly represented that RAI owned a company that made a revolutionary building material and that it was preparing to build factories in the United States and U.S. Virgin Islands to manufacture the product. In fact, RAI owned no such company.

39. Randolph also represented to investors that RAI was close to securing a variety of large public and private contracts in the U.S. Virgin Islands, including hurricane remediation contracts and an agreement to manage the U.S. Virgin Islands public retirement fund.

40. Randolph represented to potential investors that RAI was publicly traded on the over-the-counter market commonly referred to as the pink sheets.

41. Randolph also claimed to investors that RAI was preparing for an imminent IPO, after which pre-IPO shares would be worth much more than their purchase price.

42. In fact, none of this was true. RAI was never listed on any exchange, Randolph's claims about existing business ventures were false, and the business

ventures and IPO that Randolph repeatedly claimed were imminent never materialized.

43. Finally, Randolph represented to investors that he was a seasoned and extremely successful businessman and real estate developer, including claiming that he had redeveloped over 1,100 single-family homes and over 50 commercial properties, and constructed over 400 single-family residences, mostly in metro-Atlanta.

44. In fact, Randolph had an extensive history of financial difficulties and property loan defaults, including a 2010 personal bankruptcy and multiple property foreclosures, which he failed to disclose to investors.

RAI's Investor Agreement

45. In May 2018, RAI entered into an investor agreement pursuant to which an investor gave \$120,000 in exchange for a promised 20% return, which, along with the return of principal, was to be paid no later than March 1, 2019.

46. In soliciting the investor agreement, Randolph made many of the same misrepresentations described above.

47. For example, Randolph told the investor that RAI was worth \$30 million, despite the fact that RAI was never worth anywhere near that amount.

48. Randolph also falsely stated that over the previous 15 years RAI and its “sister companies” managed over \$1.2 billion in assets, including real estate for universities, hospitals, and wealthy individuals.

49. Randolph further falsely claimed that his companies significantly outperformed the S&P 500 over the previous five years.

50. Randolph also gave the investor Gallagher Management’s fraudulent audited financial statements.

51. The \$120,000 was used for Randolph’s personal benefit and for other purposes not permitted by the investor agreement.

52. RAI never repaid any of the investor agreement principal or the promised interest.

Randolph’s Misappropriation of RAI Investment Proceeds

53. In total, Randolph withdrew hundreds of thousands in cash from RAI investment proceeds.

54. Randolph also made many personal purchases and payments directly from RAI accounts, including the payment of tens of thousands of dollars in personal credit card bills.

**Randolph's Fraudulent Offer and Sale of Gallagher
Fund and Gallagher Management Securities**

55. In addition to RAI, Randolph made at least two other fraudulent offerings and sales of securities.

The Gallagher Fund

56. On December 1, 2015, Randolph sent the Gallagher Fund's PPM and Partnership Agreement to potential investors.

57. The Gallagher Group, owned and controlled by Randolph, was the Gallagher Fund's general partner.

58. The PPM and Partnership Agreement provided that the Gallagher Fund was seeking to raise up to \$10 million and that if it had not received capital commitments of at least \$2 million by August 30, 2013, all prior capital commitments would be returned and the Fund would be closed to new investors.

59. Randolph also sent a document that recommended that the potential investors invest \$300,000. The document represented that \$200,000 of that amount would be allocated to a specific real estate project, and the remaining \$100,000 would be allocated to an "Airport Concessions Project."

60. Randolph did not disclose that the Gallagher Fund did not have any interest in the specified real estate project or an airport concessions project.

61. On December 7, 2015, the solicited investors invested \$300,000 in exchange for a limited partnership interest in the Gallagher Fund.

62. These investors were the first and only investors to invest as limited partners in the Gallagher Fund.

63. In the month after receiving this investment, Randolph made more than \$115,000 in personal cash withdrawals from the account into which the \$300,000 had been deposited.

64. Randolph did not allocate any of the investment to any Gallagher Fund business interests. Indeed, the Gallagher Fund did not engage in any business activities.

65. Ultimately, some of the investment was used for the real estate project specified in the investment documents, which was owned by another Randolph entity, but Randolph did not give the December 2015 investors any interest in or returns from the project.

Gallagher Management

66. In December 2016, Gallagher Management entered into an investor agreement pursuant to which another investor gave \$90,000 in exchange for a promise of a 20% return, which, along with the return of principal, was to be paid within 36 months.

67. The agreement provided that “the Company may use the [investment] for any purpose in connection with its development and sale of [a specific property].”

68. While some of the \$90,000 investment may have gone towards the specified project, much of it was misappropriated by Randolph, including over \$40,000 in cash withdrawals and transfers to Randolph’s personal bank accounts.

69. Randolph repaid only \$20,000 of the principal or interest due under the December 2016 investor agreement.

COUNT I

Fraud in Violation of Section 17(a)(1) of the Securities Act

70. The Commission repeats and realleges Paragraphs 1 through 69 of its Complaint.

71. Randolph, in the offer or sale of any securities by the use of the means or instruments of transportation or communication in interstate commerce or by use of the mails, directly or indirectly knowingly or recklessly employed a device, scheme or artifice to defraud.

72. By reason of the foregoing, Randolph violated, and, unless enjoined, is reasonably likely to continue to violate, Section 17(a)(1) of the Securities Act, 15 U.S.C. § 77q(a)(1).

COUNT II

Fraud in Violation of Section 17(a)(2) of the Securities Act

73. The Commission repeats and realleges Paragraphs 1 through 69 of its Complaint.

74. Randolph, in the offer or sale of securities by the use of the means or instruments of transportation or communication in interstate commerce or by use of the mails, directly or indirectly knowingly, recklessly or negligently obtained money or property by means of an untrue statement of a material fact or an omission to state a material fact necessary to make the statements made, in the light of the circumstances under which they were made, not misleading.

75. By reason of the foregoing, Randolph violated, and, unless enjoined, is reasonably likely to continue to violate, Section 17(a)(2) of the Securities Act, 15 U.S.C. § 77q(a)(2).

COUNT III

Fraud in Violation of Section 17(a)(3) of the Securities Act

76. The Commission repeats and realleges Paragraphs 1 through 69 of its Complaint.

77. Randolph, in the offer or sale of securities by the use of the means or instruments of transportation or communication in interstate commerce or by use

of the mails, directly or indirectly knowingly, recklessly or negligently engaged in a transaction, practice or course of business which operated or would operate as a fraud or deceit upon the purchaser of such securities.

78. By reason of the foregoing, Randolph violated, and, unless enjoined, is reasonably likely to continue to violate, Section 17(a)(3) of the Securities Act, 15 U.S.C. § 77q(a)(3).

COUNT IV

Fraud in Violation of Section 10(b) and Rule 10b-5(a) of the Exchange Act

79. The Commission repeats and realleges Paragraphs 1 through 69 of its Complaint.

80. Randolph directly or indirectly, by the use of the means or instrumentalities of interstate commerce, or of the mails, knowingly or recklessly employed a device, scheme or artifice to defraud, in connection with the purchase or sale of securities.

81. By reason of the foregoing, Randolph violated, and, unless enjoined, is reasonably likely to continue to violate, Section 10(b) and Rule 10b-5(a) of the Exchange Act, 15 U.S.C. § 78j(b) and 17 C.F.R. § 240.10b-5(a).

COUNT V

Fraud in Violation of Section 10(b) and Rule 10b-5(b) of the Exchange Act

82. The Commission repeats and realleges Paragraphs 1 through 69 of its Complaint

83. Randolph directly or indirectly, by the use of the means or instrumentalities of interstate commerce, or of the mails, knowingly or recklessly made an untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading, in connection with the purchase or sale of securities.

84. By reason of the foregoing, Randolph violated, and, unless enjoined, is reasonably likely to continue to violate, Section 10(b) and Rule 10b-5(b) of the Exchange Act, 15 U.S.C. § 78j(b) and 17 C.F.R. § 240.10b-5(b).

COUNT VI

Fraud in Violation of Section 10(b) and Rule 10b-5(c) of the Exchange Act

85. The Commission repeats and realleges Paragraphs 1 through 69 of its Complaint.

86. Randolph directly or indirectly, by the use of the means or instrumentalities of interstate commerce, or of the mails, knowingly or recklessly

engaged in an act, practice or course of business which operated or would operate as a fraud or deceit upon any person, in connection with the purchase or sale of securities.

87. By reason of the foregoing, Randolph violated, and, unless enjoined, is reasonably likely to continue to violate, Section 10(b) and Rule 10b-5(c) of the Exchange Act, 15 U.S.C. § 78j(b) and 17 C.F.R. § 240.10b-5(c).

RELIEF REQUESTED

WHEREFORE, the Commission respectfully requests the Court find Randolph committed the violations charged, and enter judgment:

I.

Permanent Injunctions

A. Permanently restraining and enjoining Randolph, his officers, agents, servants, employees, attorneys, and all persons in active concert or participation with them, and each of them, from directly or indirectly violating the federal securities laws alleged in this Complaint;

B. Permanently restraining and enjoining Randolph from directly or indirectly participating in the issuance, purchase, offer, or sale of any security, provided that such injunction shall not prevent Randolph from purchasing or

selling securities listed on a national securities exchange for his own personal account; and

C. Permanently restraining and enjoining Randolph from acting as an officer or director of an issuer that has a class of securities registered pursuant to Section 12 of the Exchange Act or that is required to file reports pursuant to Section 15(d) of the Exchange Act.

II.

Disgorgement

Ordering Randolph to disgorge, with prejudgment interest, all ill-gotten gains received as a result of the acts or courses of conduct alleged in this Complaint.

III.

Penalty

Ordering Randolph to pay a civil money penalty pursuant to Section 20(d) of the Securities Act, 15 U.S.C. § 77t(d); Section 21(d) of the Exchange Act, 15 U.S.C. § 78u(d); and Section 209(e) of the Advisers Act, 15 U.S.C. § 80b-9(e).

IV.

Further Relief

Granting such other and further relief as the Court determines to be necessary and appropriate.

V.

Retention of Jurisdiction

Further, the Commission respectfully requests the Court retain jurisdiction over this action and over Randolph in order to implement and carry out the terms of all orders and decrees that may hereby be entered, or to entertain any suitable application or motion by the Commission for additional relief within the jurisdiction of this Court.

JURY DEMAND

Plaintiff demands a trial by jury as to all claims so triable.

DATED: April 1, 2021

Respectfully submitted,

M. Graham Loomis
Regional Trial Counsel
Georgia Bar No. 457868
loomism@sec.gov

/s/W. Shawn Murnahan
W. Shawn Murnahan
Senior Trial Counsel
Georgia Bar No. 529940
murnahanw@sec.gov

Attorneys for Plaintiff
Securities and Exchange Commission
950 East Paces Ferry Road, NE, Suite 900
Atlanta, GA 30326
Tel: (404) 842-7669
Facsimile: (703) 813-9364