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NORTHERN DISTRICT *of* GEORGIA

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U.S. Attorney's Office

Northern District of Georgia

FOR IMMEDIATE RELEASE

Friday, August 6, 2021

**Atlanta CEO sentenced to prison for securities fraud**

ATLANTA - Richard J. Randolph, III has been sentenced for securities fraud he committed while CEO of Randolph Acquisitions, Inc.

“Corporate executives, like Randolph, are expected to defend investors’ money, not take advantage of their position in a company to defraud them,” said Acting U.S. Attorney Kurt R. Erskine. “Instead, this defendant let his greed get the better of him and now he faces significant federal prison time.”

“Fraud is fraud, no matter how complicated,” said Special Agent in Charge Steven R. Baisel, U.S. Secret Service - Atlanta Field Office. “The defendant in this case employed multiple machinations in an effort to hide his criminal acts. Ultimately, his efforts failed under the scrutiny of the law enforcement professionals tasked with unraveling his schemes.”

According to Acting U.S. Attorney Erskine, the charges and other information presented in court: Richard Randolph was the CEO, Chairman of the Board of Directors, and majority shareholder of Randolph Acquisitions, Inc., a company headquartered in Atlanta, Georgia, that publicly filed its financials with the Securities and Exchange Commission. He also controlled Gallagher Management Group and other related entities. In 2017 and 2018, Randolph sold over \$1 million in Randolph Acquisition stock to various investors.

In 2017, Randolph began preparing to merge Gallagher Management Group into Randolph Acquisitions and sold Randolph Acquisitions shares to multiple investors. Gallagher Management also engaged an accounting firm to audit its 2016 financial statements. In connection with this audit, Randolph provided false and fraudulent information regarding Gallagher Management Group’s assets which were then reflected on the balance sheet of the 2016 financial statements:

- Randolph falsely valued property at \$10.5 million with no associated liability. In reality, Gallagher Management Group purchased the property in September 2016 for \$1.1 million with a \$1.1 million mortgage loan secured by the property. It was sold in August 2017 for \$1.2 million.
- Randolph falsely claimed that Gallagher Management Group owned two buildings valued at a claimed \$10 million combined. In reality, neither Gallagher Management Group nor Randolph ever owned these properties.
- Randolph falsely valued yet another property at \$4.5 million that was acquired in January 2016 for \$425,000 by an entity controlled by Randolph and was transferred to Gallagher Management Group in March 2017. In April 2018, the property was sold at auction for \$687,500 after Gallagher Management Group defaulted on a \$500,000 loan.
- Randolph provided a false bank statement showing a balance of over \$2.5 million. The actual balance in this

account was \$58,198.78.

The audited financials included other misrepresentations:

- They falsely stated that Gallagher Management Group “has consistently maintained over \$50 million dollars in assets, under management, annually.”
- They falsely stated that Gallagher Management Group “provides a broad range of investment banking services to a diverse group of corporations, financial institutions, investment funds, and governments.”
- They falsely stated that Gallagher Management Group “provides 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.”

Gallagher Management Group engaged a consultant to prepare a business valuation for the merger which relied upon Gallagher Management Group’s 2016 audited financial statements, additional false property valuation information provided by Randolph, and false projections provided by Randolph. The report valued Gallagher Management Group at \$31.3 million on an enterprise value basis and \$33.8 million on an equity value basis.

In connection with the proposed merger between Randolph Acquisitions and Gallagher Management Group, Randolph Acquisitions made multiple filings with the Securities and Exchange Commission that attached the false and fraudulent 2016 audited financial statements of Gallagher Management Group. Randolph directed investors to these filings.

In addition to these documents, Randolph made other false and fraudulent misrepresentations to prospective investors:

- Randolph falsely claimed that Randolph Acquisitions 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. Randolph Acquisitions never obtained any of these contracts.
- Randolph falsely claimed that Randolph Acquisitions owned EF Block. To the contrary, Randolph Acquisitions did not own EF Block.
- Randolph falsely claimed that Randolph Acquisitions was publicly traded on the pink sheets. Randolph Acquisitions was never listed on any exchange.

Using these misrepresentations, Randolph induced 14 victims to invest over \$1.6 million in Randolph Acquisitions.

Richard J. Randolph, III, 40, of Atlanta, Georgia, was sentenced to six years, six months in prison to be followed by three years of supervised release and ordered to pay restitution in the amount of \$1,602,200 to his victims. Randolph was convicted on these charges on April 9, 2021, after he pleaded guilty.

This case was investigated by the U.S. Secret Service, with assistance from the U.S. Securities and Exchange Commission. In a related civil matter, the U.S. Securities and Exchange Commission filed a complaint charging Randolph and he consented to entry of a judgment against him.

Assistant U.S. Attorney Christopher J. Huber, Deputy Chief of the Complex Frauds Section, prosecuted the case.

For further information please contact the U.S. Attorney’s Public Affairs Office at [USAGAN.PressEmails@usdoj.gov](mailto:USAGAN.PressEmails@usdoj.gov) or (404) 581-6016. The Internet address for the U.S. Attorney’s Office for the Northern District of Georgia is <http://www.justice.gov/usao-ndga>.

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**Topic(s):**  
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