

**ADMINISTRATIVE PROCEEDING**  
**BEFORE THE**  
**SECURITIES COMMISSIONER OF SOUTH CAROLINA**

<b>IN THE MATTER OF:</b>	)	
	)	
	)	
<b>Dream Builders of South Carolina, LLC</b>	)	<b>ORDER TO CEASE AND DESIST</b>
<b>and Darrell Chatman,</b>	)	
	)	
<b>Respondents.</b>	)	<b>File Number 09054</b>
_____	)	

WHEREAS, the Securities Division of the Office of the Attorney General of the State of South Carolina (the "Division"), pursuant to authority granted in the South Carolina Uniform Securities Act of 2005 (the "Act"), S.C. Code Ann. §§ 35-1-101 to 35-1-703 (Supp. 2008), in or around May 19, 2009, received information regarding alleged activities involving Darrell Chatman and Dream Builders of South Carolina, LLC (collectively, the "Respondents") which would constitute violations of the Act;

WHEREAS, the Act became effective on January 1, 2006;

WHEREAS, the information led the Division to open and conduct an investigation into the activities of the Respondents pursuant to S.C. Code Ann. § 35-1-602 and this investigation is ongoing;

NOW THEREFORE, in connection with the investigation, the Division determined that the Respondents have engaged and may be about to engage in acts or practices constituting violations of the Act and hereby includes in this Order to Cease and Desist ("Order") a statement of the reasons for the Order, a statement of the civil penalty sought as a result, and a notice that a hearing will be scheduled if either Respondent requests a hearing.

## **FACTUAL HISTORY**

1. Respondent Chatman (“Chatman”) is a South Carolina resident with a last known address of 201B Office Park Court, Columbia, South Carolina 29223.
2. Respondent Dream Builders of South Carolina, LLC (“DBSC”) was, at all times material herein, an entity with an address at 201B Office Park Court, Columbia, South Carolina 29223.
3. At all times material herein, Respondent DBSC maintained a website at [www.dreambuildersofsouthcarolina.com](http://www.dreambuildersofsouthcarolina.com) (“Web Site”), which stated that Respondent DBSC can help investors “earn a steady and secure 15%.”
4. In or about April 2009, Respondent DBSC posted an advertisement (“Ad”) on an internet message board that stated, “Residential and Commercial company seeking investors for apartment purchase.” The Ad contained a link to the Web Site.
5. On or about May 19, 2009, the Division received information regarding a Pennsylvania resident (the “Pennsylvania Resident”) who viewed the Ad and Web Site in or about April 2009. Using a form provided on the Web Site, the Pennsylvania Resident sent an email to Respondent DBSC requesting additional information.
6. In or about April 2009, the Pennsylvania Resident received an email from Respondent Chatman, which stated:
  - a. Respondent DBSC is raising money to purchase an apartment complex in South Carolina;
  - b. Respondent DBSC will purchase the property once it raises the entire purchase price;

- c. “The property is producing sufficient income to offer investors a 15% return annually, paid quarterly for 36 months;”
  - d. “Investments are 100% secured by real estate;” and
  - e. “There’s zero chance of losing [sic] any money.”
- 7. In or about April 2009, Respondent Chatman e-mailed offering materials (“Materials”), including a Private Placement Memorandum and Subscription Agreement, to the Pennsylvania Resident and offered for sale limited liability company membership units (“Units”) in Respondent DBSC. The Materials state:
  - a. Respondent DBSC is raising a total of \$16,500,000 by offering up to twenty five Units at a price of \$680,000 per Unit or \$47,500 for a fractional Unit;
  - b. The minimum investment is \$47,500;
  - c. Respondent DBSC will use the funds to purchase a 236-unit apartment complex in Columbia, South Carolina; and
  - d. Respondent Chatman is the managing member of Respondent DBSC.
- 8. Neither Respondent Chatman nor Respondent DBSC is currently registered with the Division as a broker-dealer, broker-dealer agent, investment advisor, investment advisor representative, and neither Respondent was registered with the Division in any capacity at any time.
- 9. At the time the Pennsylvania Resident was solicited, the Units were not registered in the State of South Carolina, were not federal covered securities for which a notice filing was properly filed, and were not exempt from registration.
- 10. At the time the Pennsylvania Resident was solicited, he was not an accredited investor under Rule 501 of Regulation D, and did not have sufficient knowledge and experience in

financial and business matters to be capable of evaluating the merits and risks of the investment.

11. The Pennsylvania Resident also had no substantive, pre-existing relationship with Respondent DBSC or Chatman.
12. The Respondents offered the Units to the Pennsylvania Resident in or from the State of South Carolina.

#### **APPLICABLE LAW**

1. Pursuant to S.C. Code Ann. § 35-1-703 of the Act, the Act took effect on January 1, 2006.
2. Pursuant to S.C. Code Ann. § 35-1-102(29) of the Act, the Units offered by Respondents to a Pennsylvania Resident constitute securities.
3. Pursuant to S.C. Code Ann. § 35-1-402(a) of the Act, it is unlawful for a person to transact business in or from this State as an agent unless the individual is registered under the Act as an agent or is exempt from registration as an agent under the Act.
4. Pursuant to S.C. Code Ann. § 35-1-401(a) of the Act, it is unlawful for a person to transact business in or from this State as a broker-dealer unless the individual is registered under the Act as a broker-dealer or is exempt from registration as a broker-dealer under the Act.
5. Pursuant to S.C. Code Ann. § 35-1-301 of the Act, it is unlawful for a person to offer or sell a security in or from this State unless (1) the security is a federal covered security; (2) the security, transaction, or offer is exempted from registration under S.C. Code Ann. § 35-1-201 through § 35-1-203; or (3) the security is registered under the Act.

6. Pursuant to S.C. Code Ann. § 35-1-503(a) of the Act, in a civil action or administrative proceeding under the Act, a person claiming an exemption, exception, preemption, or exclusion has the burden to prove the applicability of the claim.
7. Pursuant to S.C. Code Ann. § 35-1-501 of the Act, it is unlawful for a person, in connection with the offer, sale, or purchase of a security, directly or indirectly: (1) to employ a device, scheme, or artifice to defraud; (2) to make an untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; or (3) to engage in an act, practice, or course of business that operates or would operate as a fraud or deceit upon another person.
8. Pursuant to S.C. Code Ann. § 35-1-602(a)(1), the Securities Commissioner may conduct public or private investigations within or outside the State of South Carolina which the Securities Commissioner considers necessary or appropriate to determine whether a person has violated, is violating, or is about to violate the Act or a rule adopted or order issued under the Act, or to aid in the enforcement of the Act or in the adoption of rules and forms under the Act.
9. Regarding administrative remedies under the Act:
  - a. Pursuant to S.C. Code Ann. § 35-1-604(a)(1), if the Securities Commissioner determines that a person has engaged, is engaging, or is about to engage in an act, practice, or course of business constituting a violation of the Act or a rule adopted or order issued under the Act, the Securities Commissioner may issue an order directing the person to cease and desist from engaging in the act, practice, or

course of business or to take other action necessary or appropriate to comply with the Act.

- b. Pursuant to S.C. Code Ann. § 35-1-604(b), a cease and desist order issued under S.C. Code Ann. § 35-1-604(a)(1) must include a statement of any civil penalty or costs of investigation the Securities Commissioner will seek, a statement of the reasons for the order, and notice that, within 15 days after receipt of a request in a record from the person, the matter will be scheduled for a hearing.
- c. Pursuant to S.C. Code Ann. § 35-1-604(d), in a final order, the Securities Commissioner may impose a civil penalty in an amount not to exceed ten thousand dollars (\$10,000.00) for each violation.
- d. Pursuant to S.C. Code Ann. § 35-1-604(e), in a final order, the Securities Commissioner may charge the actual cost of an investigation or proceeding for a violation of the Act or a rule adopted or order issued under the Act.

#### **DIVISION'S DETERMINATION**

WHEREAS, based on the application of the law to the facts, the Division has determined that Respondents have engaged, are engaging, or are about to engage in an act, practice, or course of business constituting a violation of the Act and have engaged, are engaging, or are about to engage in an act, practice, or course of dealing constituting a violation of the Act or a rule adopted or order issued under the Act as follows:

- a. In or about April 2009, Respondents, operating in or from the State of South Carolina, offered for sale limited liability company membership units to a Pennsylvania Resident.
- b. The Units constitute "securities" pursuant to the Act.

- c. The securities were not registered for sale in or from the State of South Carolina.
- d. Respondents are not now and during the time of the offer described in (a) above were not licensed to sell securities in or from the State of South Carolina.
- e. No exemption from securities or agent registration has been filed or claimed by Respondents or anyone acting on Respondents' behalf.
- f. Respondents violated the anti-fraud provisions of the Act by making the following omissions of material fact:
  - i. Omitting to tell the Pennsylvania Resident that Respondent Chatman had no legal basis for the representation he made indicating "the property is producing sufficient income to offer investors a 15% return annually, paid quarterly for 36 months;"
  - ii. Failing to inform the Pennsylvania Resident that neither Respondent Chatman nor DBSC were registered to offer or sell securities or otherwise transact securities business in the State of South Carolina; and
  - iii. Failing to disclose the significant amount of risk an investment in DBSC entailed.

#### **CEASE AND DESIST ORDER**

NOW THEREFORE, pursuant to S.C. Code Ann. § 35-1-604(a)(1) of the Act, it is HEREBY ORDERED that each Respondent:

- a. Cease and desist from offering and/or selling securities, in violation of S.C. Code Ann. § 35-1-301, § 35-1-401, 35-1-402, and § 35-1-501 of the Act; and

- b. Pay a civil penalty in the amount of thirty thousand dollars (\$30,000.00) and costs in the amount of one thousand five hundred dollars (\$1,500.00) if this Order becomes effective by operation of law, or, if a Respondent seeks a hearing and a hearing officer or any other legal authority resolves this matter, pay a civil penalty in an amount not to exceed ten thousand dollars (\$10,000.00) for each violation of the Act committed by that Respondent and costs in the amount of one thousand five hundred dollars (\$1,500.00).

**REQUIREMENT OF ANSWER AND  
NOTICE OF OPPORTUNITY FOR HEARING**

The Respondents are hereby notified that they have the right to a hearing on the matters contained herein. To schedule such a hearing, a Respondent must file with the Securities Division, Post Office Box 11549, Rembert C. Dennis Building, Columbia, South Carolina, 29211-1549, Attention: Thresechia Navarro, within thirty (30) days of the issuance of this Order to Cease and Desist a written Answer specifically requesting a hearing.

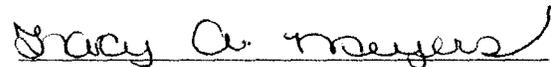
In the written Answer, the Respondent, in addition to requesting a hearing, shall admit or deny each factual allegation in this Order, shall set forth specific facts on which the Respondent relies, and shall set forth concisely the matters of law and affirmative defenses upon which the Respondent relies. If the Respondent is without knowledge or information sufficient to form a belief as to the truth of an allegation, he shall so state.

Failure by a Respondent to file a written request for a hearing in this matter within the thirty-day (30) period stated above shall be deemed a waiver by that Respondent of his right to such a hearing. Failure of a Respondent to file an Answer, including a request for a hearing, shall result in this Order, including the stated civil penalty, becoming final as to that Respondent by operation of law.

CONTINUING TO ENGAGE IN ACTS DETAILED BY THIS ORDER AND/OR SIMILAR ACTS MAY RESULT IN THE DIVISION'S FILING ADDITIONAL ADMINISTRATIVE ACTIONS AND/OR SEEKING FURTHER ADMINISTRATIVE FINES. WILLFUL VIOLATION OF THIS ORDER COULD RESULT IN CRIMINAL PENALTIES UNDER S.C. CODE ANN. § 35-1-508 OF THE ACT. REGARDING MATTERS DESCRIBED HEREIN, THIS ORDER DOES NOT PRECLUDE THE FILING OF PRIVATE CAUSES OF ACTION OR THE FILING OF CRIMINAL CHARGES UNDER S.C. CODE ANN. § 35-1-508 OF THE ACT.

IT IS SO ORDERED.

This 24<sup>th</sup> day of September, 2009



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