

ADMINISTRATIVE PROCEEDING
BEFORE THE
SECURITIES COMMISSIONER OF MARYLAND

IN THE MATTER OF:

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Famous Characters, LLC,

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Case No. 2015-0215

Respondent.

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FINAL ORDER TO CEASE AND DESIST

WHEREAS, the Securities Division of the Office of the Maryland Attorney General (the “Division”), pursuant to the authority granted in section 11-701 of the Maryland Securities Act, Title 11, Corporations and Associations Article, Annotated Code of Maryland (2014 Repl. Vol.) (the “Securities Act” or “Act”), undertook an investigation into the securities-related activities of Famous Characters, LLC, a.k.a. Famous Characters, Inc. (“Famous Characters”); and

WHEREAS, as a result of that investigation, the Maryland Securities Commissioner (the “Commissioner”) found grounds to allege that Famous Characters violated the registration and anti-fraud provisions set forth at sections 11-301 and 11-501 of the Act; and

WHEREAS, on October 13, 2015, the Commissioner issued an Order to Show against Famous Characters, ordering it to show cause why a final order should not be entered against it to cease and desist from violating the provisions of the Securities Act, to show cause why a statutory penalty of up to \$5,000 per violation should not be assessed against it, and to show cause why it should not be barred from engaging in the securities business in Maryland for or on behalf of others and from being or acting as a principal or consultant in any entity engaged in such activities; and

WHEREAS, the Order to Show Cause gave Famous Characters notice of the opportunity for a hearing in this matter, provided it submitted an answer within 15 days of service of the Order to Show Cause and further gave notice to Famous Characters that failure to file a written answer would be deemed a waiver of the right to a hearing and would result in the entry of a final order directing it to cease and desist from violations of the Securities Act and imposing the sanctions sought in the Order to Show Cause; and

WHEREAS, on October 15, 2015, copies of the Order to Show Cause were sent by certified mail, return receipt requested, to the last known addresses of Famous Characters and by hand delivery to the Maryland Securities Commissioner; and

WHEREAS, on November 3, 2015, the copy of the Order to Show Cause sent by certified mail sent to the last known address of Famous Characters was returned and marked “Return to Sender, Refused, Unable to Forward;” and

WHEREAS, the Division has not received any communication from Famous Characters, including no answer and no request for a hearing in response to the Order to Show Cause; and

WHEREAS, the Commissioner has determined that it is in the public interest to issue this Final Order to Cease and Desist;

NOW, THEREFORE, THE COMMISSIONER HEREBY FINDS AND ORDERS:

I. JURISDICTION

1. The Commissioner has jurisdiction in this proceeding pursuant to section 11-701.1 of the Securities Act.

II. FINDINGS OF FACT

2. Using telemarketing and online advertising, Famous Characters solicited individuals to invest money and receive an opportunity to earn commissions on the online sale of

products identified with Disney and other well-known brands.

3. In marketing materials and telephone solicitations, representatives of Famous Characters stated that investors can earn significant income for very little or no effort.

4. In one mailing sent to one Maryland resident, Famous Characters states “With no experience, earn your first \$2,200 within 45 days—GUARANTEED or you pay nothing.” The mailing represents further that investors can earn “profits of up to \$100,000 a year and need not spend more than 4 - 6 hours per week to generate that return.”

5. Famous Characters solicited at least two Maryland residents between 2013 and 2015 to invest money. One resident was in her mid-80s and the other was 76 years old at the time of the solicitations.

6. In June 2014, a 76 year old resident of Clarksburg, Maryland (“GW”) saw an advertisement online to earn income from the sale of Disney characters. She e-mailed her contact information to an address listed in the advertisement.

7. Shortly after sending her request for information, GW was contacted by telephone by someone identifying himself as “Butch,” who stated that he was a representative of Famous Characters.

8. Butch told GW that for a membership fee, she could earn income from the sale of name brand products that consumers would purchase through a website.

9. Butch told GW that Famous Characters would develop and maintain the website to sell the products, handle the inventory, shipping, and marketing. In return, GW would earn commissions on the sale of products from that website.

10. Butch assured GW that she did not have to do anything to earn income from the Famous Characters’ investment.

11. Butch initially told GW that she could earn \$5,000 from her investment with Famous Characters.

12. On June 26, 2014, GW paid Famous Characters \$347.95 by credit card to become a representative of Famous Character.

13. On July 9, 2014, GW paid an additional \$1,900 to Famous Character by credit card. On July 30, 2014, GW paid Famous Characters an additional \$2,000 by credit card. On August 29, 2014, GW had a \$2,000 check sent to Famous Characters.

14. In each case, GW paid these amounts to Famous Characters because a Famous Character representative told GW that the additional funds would enhance her ability to earn income from her Famous Character investment.

15. After calling Famous Characters to complain about the lack of return on her investment, GW received one check from Famous Characters in the amount of \$135.00.

16. GW received no other checks from Famous Characters. Eventually, she could not reach anyone at Famous Characters to discuss her investment and the lack of a return.

17. By engaging in the sale of a passive investment, Famous Characters offered and sold investment contracts in Maryland.

18. The Famous Characters investment contract did not have any means to generate the income that Famous Character representatives claimed.

19. Famous Characters had no basis for representing to investors that they could earn \$5,000, or any amount, from participating in the Famous Characters investment.

20. Famous Characters did not register its investment contract as a security, did not file a claim of exemption from registration in Maryland for that security, and it is not qualified as a federal covered security.

III. CONCLUSIONS OF LAW

The Commissioner concludes that:

21. Famous Characters offered and sold securities in violation of the registration requirements of section 11-501 of the Securities Act.

22. In connection with the offer and sale of Famous Characters' investment contracts, Famous Characters made materially false or misleading statements regarding the profitability of the investments.

23. In connection with the offer and sale of Famous Characters' investment contracts, Famous Characters omitted material facts that were necessary to make the statements that were made not misleading, including the lack of appropriate registration, full representation of the risks associated with the investment and Famous Characters' actual business and background.

IV. SANCTION

NOW, THEREFORE, the Commissioner finds it to be in the public interest to issue this Final Order to Cease and Desist, and HEREBY ORDERS THAT:

24. Famous Characters permanently cease and desist from the offer and sale of securities in violation of sections 11-301 and 11-501 of the Securities Act.

25. Famous Characters is barred from engaging in the securities business in this State and from being a principal or consultant in any entity so engaged.

26. Famous Characters is subject to a civil monetary penalty equal to Five Thousand Dollars for each violation of the Securities Act, for a total of Twenty Thousand Dollars (\$20,000).

V. JURISDICTION RETAINED

27. Jurisdiction is retained by the Commissioner for the purpose of enabling any party

to this Order to apply for such further orders and directions as may be necessary or appropriate for the construction or enforcement of this Order.

VI. NOTICE OF RIGHT TO APPEAL

28. Pursuant to the Code of Maryland Regulations, COMAR 02.02.06.24, Famous Characters has the right to file an appeal of this Order with the circuit court of Maryland. Any appeal must be filed within 30 days from the date this Order is mailed by the Division.

IT IS SO ORDERED:

Commissioner's Signature on File
w/Original Document

January 7, 2016

MELANIE SENTER LUBIN