

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION
AT RICHMOND, JANUARY 11, 2017

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COMMONWEALTH OF VIRGINIA, *ex rel.*

STATE CORPORATION COMMISSION

v.

CASE NO. SEC-2016-00053

JOSHUA STAMM,
Defendant

SETTLEMENT ORDER

The State Corporation Commission's ("Commission") Division of Securities and Retail Franchising ("Division") conducted an investigation of Joshua Stamm ("Defendant") pursuant to § 13.1-518 of the Virginia Securities Act ("Act"), § 13.1-501 *et seq.* of the Code of Virginia ("Code"). Based on the Division's investigation, the Division alleges as follows:

In April, 2016, the Division became aware of an investment opportunity being offered by Expansion Industries, LLC ("Expansion") in an Ammo Component Fund ("Fund"). Expansion, although incorporated in Delaware, has been registered to conduct business in the Commonwealth of Virginia ("Virginia") since March 2014. Expansion is located in Evington, Virginia, and is in the business of firearm ammunition production.

According to the Fund brochure, Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Merrill Lynch") would administer the fund. The Fund brochure included the Defendant's picture, title, branch office address, phone number, and Merrill Lynch email. The Fund brochure also included a draft promissory note for prospective investors to review. Information pertaining to the Fund was found on Expansion's website, www.expansion-industries.com, and also was known to have been promoted at gun shows throughout Virginia.

At the time of the alleged activity, the Defendant was an investment advisory representative and registered representative of Merrill Lynch. Based on its review of the records produced, the Division concluded that the Defendant played an active role in the development of the draft promissory notes which were subsequently used to solicit the general public. Records indicate that the Defendant failed to obtain the proper approval and authorization from Merrill Lynch prior to engaging in the outside business activity involving Expansion. In addition, the securities which were being offered and sold in the company were not recorded on Merrill Lynch's books and records.

Review of the appropriate registration filings revealed that the securities which were being offered and sold in Expansion were not registered or exempt from registration.

The Division identified an investment of \$20,000 made by an individual into the Fund on April 12, 2016. This individual received "Wire Instructions for Funding" from a client associate located in the Defendant's office. Moreover, this was all without the authorization and approval from Merrill Lynch. The individual has not complained to the Division regarding the Defendant or the individual's investment into the Fund.

The Division alleges that the Defendant violated 21 VAC 5-20-280 B (2) of the Commission's Rules governing Broker-Dealers, Broker-Dealer Agents and Agents of the Issuer, 21 VAC 5-20-10 *et seq.* ("Rules"), by (i) failing to gain approval from Merrill Lynch prior to engaging in securities activity; and (ii) for the sales activity that was not recorded on the books and records of the broker-dealer the Defendant formerly represented. The Division identified at least one individual who invested in the Fund who was provided wire instructions by the Defendant's office, specifically regarding his purchase of the unregistered securities in Expansion.

Based on the investigation, the Division alleges the Defendant violated Rule 21 VAC 5-20-280 B (2) by effecting any securities transaction not recorded on the regular books or records of the broker-dealer which the agent represents, unless the transaction is authorized in writing by the broker-dealer prior to execution of the transaction.

If the provisions of the Act are violated, the Commission is authorized by § 13.1-506 of the Act to revoke a defendant's registration, by § 13.1-519 of the Act to issue temporary or permanent injunctions, by § 13.1-518 A of the Act to impose costs of investigation, by § 13.1 521 A of the Act to impose certain monetary penalties, by § 13.1-521 C of the Act to order a defendant to make rescission and restitution, and by § 12.1-15 of the Code to settle matters within its jurisdiction.

The Defendant neither admits nor denies these allegations but admits to the Commission's jurisdiction and authority to enter this Settlement Order ("Order").

As a proposal to settle all matters arising from these allegations, the Defendant has agreed to settlement terms wherein the Defendant will abide by and comply with the following terms and undertakings:

(1) The Defendant will pay to the Treasurer of Virginia ("Treasurer"), contemporaneously with the entry of this Order, the amount of Ten Thousand Dollars (\$10,000) in monetary penalties.

(2) The Defendant will pay to the Treasurer, contemporaneously with the entry of this Order, the amount of Two Thousand Dollars (\$2,000) to defray the costs of investigation.

(3) The Defendant will be placed on a heightened supervision plan upon employment with a new broker-dealer and prior to registration with the Division.

(4) The Defendant will not act in a supervisory role in the securities industry for a period of four (4) years from the date of entry of this Order.

(5) The Defendant will not violate the Act in the future.

The Division has recommended that the Commission accept the Defendant's settlement terms.

NOW THE COMMISSION, having considered the record herein, the proposed settlement terms, and the recommendation of the Division, is of the opinion that the settlement terms should be accepted.

Accordingly, IT IS ORDERED THAT:

(1) The settlement terms of the matter set forth herein are hereby accepted.

(2) The Defendant shall fully comply with the aforesaid terms and undertakings of this settlement.

(3) The Commission shall retain jurisdiction in this matter for all purposes, including the institution of a show cause proceeding, or take such other action it deems appropriate on account of the Defendant's failure to comply with the terms and undertakings of the settlement.

AN ATTESTED COPY hereof shall be sent by the Clerk of the Commission to: Joshua Stamm, 112 Tyler Terrace, Forest, Virginia 24551; and Andrew Park, Esquire, 2310 West Main Street, Richmond, Virginia 23220; and a copy shall be delivered to the Commission's Office of General Counsel and Division of Securities and Retail Franchising.

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION

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COMMONWEALTH OF VIRGINIA, *ex rel.*

STATE CORPORATION COMMISSION

v.

CASE NO. SEC-2016-00053

JOSHUA STAMM,

Defendant

ADMISSION AND CONSENT

Joshua Stamm ("Defendant"), admits to the jurisdiction of the State Corporation Commission ("Commission") as to the party and subject matter hereof and, neither admitting nor denying the allegations made herein by the Division of Securities and Retail Franchising, hereby consents to the form, substance and entry of the foregoing Settlement Order ("Order").

The Defendant further states that no offer, tender, threat or promise of any kind whatsoever has been made by the Commission or any member, subordinate, employee, agent or representative thereof in consideration of the foregoing Order.

Date:

12/16/16

By:


Joshua Stamm

Seen and Approved By:


Andrew Park, Esquire