

COMMONWEALTH OF VIRGINIA  
STATE CORPORATION COMMISSION  
AT RICHMOND, SEPTEMBER 16, 2014

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COMMONWEALTH OF VIRGINIA, *ex rel.*

STATE CORPORATION COMMISSION

v.

CASE NO. SEC-2014-00037

MIDATLANTIC IRA, LLC,  
Defendant

SETTLEMENT ORDER

The State Corporation Commission's ("Commission") Division of Securities and Retail Franchising ("Division") conducted an investigation of MidAtlantic IRA, LLC ("MidAtlantic" or "Defendant") pursuant to § 13.1-518 of the Virginia Securities Act ("Act"), § 13.1-501 *et seq.* of the Code of Virginia ("Code").

MidAtlantic is a Maryland limited liability company that was formed in 2004 as an IRA administrator that serves as a third party administrator of self-directed IRA accounts.

MidAtlantic, through its Director of Business Development, Richard Scott Blair, sent an investor in the Commonwealth of Virginia ("Virginia") emails regarding a MidAtlantic-sponsored webinar which included a presentation by a company named REOReseller, Inc.<sup>1</sup> REOReseller, Inc. buys foreclosed properties directly from banks at discount prices, then gets the properties rent-ready, before renting them to area residents and reselling them at a profit.

REOReseller, Inc. offered joint venture arrangements which enabled investors to participate in the purchase of foreclosed properties. The contracts used to offer and sell these joint ventures are investment contracts, as defined as securities in § 13.1-501 of the Act.

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<sup>1</sup> REOReseller, Inc., a California company that incorporated in Nevada in March 2010, sold joint venture arrangements to enable investors to participate in the purchase of foreclosed properties, receiving rental payments and profit when the rental property is sold. Based on the information gathered during the Division's investigation, the joint venture arrangements offered by REOReseller, Inc. are securities.

Investors receive rental payments throughout the contract term and profit when REOReseller, Inc. sells the rental property. Through emails, MidAtlantic advertised an educational webinar at which REOReseller, Inc. presented an investment for purchasing rental property.

Based on the investigation, the Division alleges the Defendant violated: (a) § 13.1-504 A (i) of the Act by transacting business in Virginia without duly being registered with the Division as a broker-dealer; (b) § 13.1-504 B of the Act by employing an unregistered agent in the offer and sale of securities; and (c) § 13.1-507 of the Act by offering or selling securities that were not registered under the Act or exempt from registration.

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 made an offer of settlement to the Commission 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 Five Thousand Five Hundred Dollars (\$5,500) 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 not violate the Act in the future.

The Division has recommended that the Commission accept the offer of settlement of the Defendant.

NOW THE COMMISSION, having considered the record herein, the offer of settlement of the Defendant, and the recommendation of the Division, is of the opinion that the Defendant's offer should be accepted.

Accordingly, IT IS ORDERED THAT:

(1) The offer of the Defendant in settlement of the matter set forth herein is hereby accepted.

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

(3) This case is dismissed and the papers herein shall be placed in the file for ended causes.

Dismissal of this case does not relieve the Defendant from its reporting obligations to any regulatory authority.

AN ATTESTED COPY hereof shall be sent by the Clerk of the Commission to: John F. Kiley, Managing Partner, MidAtlantic IRA, LLC, 125 South Carroll Street, Frederick, Maryland 21701; Ben Rottenbom, Esquire, Woods Rogers, Attorneys at Law, 10 South Jefferson Street, Suite 1400, Roanoke, Virginia 24011; and a copy shall be delivered to the Commission's Office of General Counsel and Division of Securities and Retail Franchising.

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STATE CORPORATION COMMISSION

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Defendant

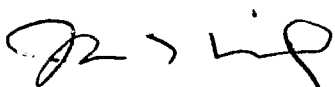
ADMISSION AND CONSENT

MidAtlantic IRA, LLC ("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").

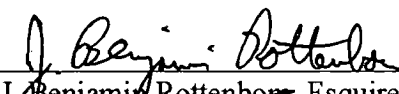
The Defendant further states that no offer, tender, threat or promise of any kind whatsoever has been made by the Commission or any member, subordinate, employee, agent or representative thereof in consideration of the foregoing Order.

MidAtlantic IRA, LLC

Date: 8/15/14

By:   
John F. Kiley, Managing Partner

Seen and Approved By:

  
J. Benjamin Rottenborn, Esquire  
rn JBR