

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION
AT RICHMOND, SEPTEMBER 12, 2016

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COMMONWEALTH OF VIRGINIA, *ex rel.*

STATE CORPORATION COMMISSION

v.

CASE NO. SEC-2016-00030

DIVERSIFIED REAL ESTATE HOLDINGS, LLC,
Defendant

SETTLEMENT ORDER

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

Diversified is a Virginia limited liability company organized in 2013 and is located in Arlington, Virginia. As part of its business, Diversified purchases foreclosed properties for renovation and resale.

Based upon its investigation, the Division alleges that Diversified offered and sold preferred and common stock in its business ("Securities") to at least 16 individuals, including five clients of a registered investment advisor firm ("Firm") located in Virginia. The offers and sales to the Firm's clients were made through one of the Firm's investment advisor representatives ("IAR"). Based upon records that it reviewed, the Division alleges that the Securities were neither registered with the Division nor exempt from registration under the Act. The IAR also was not registered as an agent of Diversified to offer or sell its Securities. Finally, the Division alleges that Diversified engaged in general solicitation of the Securities through its

website, which included information about Diversified, its investment strategy, and investor information about its offering as well as allowed investors to contact Diversified.

Based on the investigation, the Division alleges Diversified violated: (a) § 13.1-507 of the Act, which provides that it is unlawful to offer or sell any security unless the security is registered or unless the security or transaction is exempt from registration; and (b) § 13.1-504 B of the Act, which provides that it is unlawful for any issuer to employ an unregistered agent.

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.

Diversified, without admitting or denying the allegations made herein by the Division, 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, Diversified has made an offer of settlement to the Commission wherein it will abide by and comply with the following terms and undertakings:

(1) Diversified will pay to the Treasurer of Virginia ("Treasurer") the amount of Seven Thousand Five Hundred Dollars (\$7,500) in monetary penalties.

(2) Diversified will pay to the Treasurer the amount of Two Thousand Five Hundred Dollars (\$2,500) in costs of investigation.

(3) Upon entry of this Order, Diversified will pay to the Treasurer the amount of Ten Thousand Dollars (\$10,000), the total amount due for penalties and costs of investigation.

(4) Diversified will not violate the Act in the future.

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

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

Accordingly, IT IS ORDERED THAT:

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

(2) Diversified 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.

AN ATTESTED COPY hereof shall be sent by the Clerk of the Commission to:
Diversified Real Estate Holdings, LLC, c/o Brendan Lewis (registered agent), 1600 Wilson Boulevard, Suite 705, Arlington, Virginia 22209; 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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ADMISSION AND CONSENT

Diversified 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.


Print Name and Title Below

Brandon Lewis, Manager