

COMMONWEALTH OF VIRGINIA  
STATE CORPORATION COMMISSION

AT RICHMOND, MAY 23, 2017

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2017 MAY 23 A 8:28

COMMONWEALTH OF VIRGINIA, *ex rel.*

STATE CORPORATION COMMISSION

v.

CASE NO. SEC-2016-00037

EXPANSION INDUSTRIES, LLC  
and  
RICHARD SMISSEN,  
Defendants

SETTLEMENT ORDER

The State Corporation Commission's ("Commission") Division of Securities and Retail Franchising ("Division") conducted an investigation of Expansion Industries, LLC ("Expansion") and Richard Smissen ("Smissen") (collectively, "Defendants") pursuant to § 13.1-518 of the Virginia Securities Act ("Act"), § 13.1-501 *et seq.* of the Code of Virginia ("Code").

Expansion is located at 9 Corporate Way, Suite B, Evington, Virginia, and was formed as a limited liability company within the state of Delaware on September 25, 2013. According to records in the office of the Clerk of the Commission, Expansion registered to conduct business within the Commonwealth of Virginia ("Virginia") on March 27, 2014. At the time of filing, Smissen was listed as the president and managing member.

During an Internet search on April 11, 2016, for Expansion, the investigator found an operational website for the company. Review of the website confirmed that it was the same Expansion as described above. As explained on the website, and as of July 28, 2016, Expansion is in the business of producing, and subsequently selling, gun ammunition. As stated on the website, Expansion was founded in 2014 with the purpose of meeting the ammunition demand of individuals in the Central Virginia area.

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In April 2016, the Division was informed of an investment opportunity being offered by Expansion in a fund named Ammo Component Fund ("Fund"). As stated in the Fund offering documents, investments in the Fund could be made by an individual or a business, could be held in a person's individual retirement account, and dividends would be paid semi-annually at a rate of 8.95%.

The Fund brochure states that Merrill Lynch would administer the Fund, and it included the name, picture, title, branch office address, phone number and email address of a Merrill Lynch employee. The 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](http://www.expansion-industries.com). During the investigation, it was learned the Fund was promoted at gun shows throughout Virginia.

A review of the documents during the investigation revealed that at least one individual did make an investment in the Fund.

A review of Division records and the Securities and Exchange Commission EDGAR database<sup>1</sup> revealed that neither Expansion nor Smissen made any filings to register the securities, nor does it appear that the securities were exempt from registration (no notice filings were made). Additionally, an issuer and agent of the issuer search in Division registration records for "Expansion Industries or Richard Smissen" resulted in no records being found.

The Division alleges that in violation of § 13.1-507 of the Act, the securities which were offered and subsequently sold to at least one investor were not registered or exempt from registration requirements. The Division requires securities which will be offered and sold in Virginia to be properly registered pursuant to the Act and rules. This includes the offer and sale

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<sup>1</sup> EDGAR is the system in which issuers file registration filings as required under federal securities laws.

of promissory notes, which under § 13.1-501 of the Act are presumed to be securities. The Division's review of the appropriate databases did not result in any securities registration or exemption filing documents for Expansion.

In addition, the Division alleges that in violation of § 13.1-504 A of the Act, Smissen conducted the actual offer and sale of securities on behalf of Expansion when he was not registered to conduct such activity. As required by statute, agent registration is required prior to any firm or individual offering securities.

Based on the investigation, the Division alleges the Defendant violated: (i) § 13.1-507 of the Act by offering or selling securities that were not registered under the Act or exempt from registration; and (ii) § 13.1-504 A of the Act by transacting business in the Commonwealth of Virginia without duly being registered with the Division as an agent of the issuer.

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 Defendants neither admit nor deny these allegations but admit 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 Defendants have made an offer of settlement to the Commission wherein the Defendants will abide by and comply with the following terms and undertakings:

(1) The Defendants will pay to the Treasurer of Virginia ("Treasurer"), contemporaneously with the entry of this Order, the amount of One Thousand Five Hundred Dollars (\$1,500) in monetary penalties.

(2) The Defendants will pay to the Treasurer, contemporaneously with the entry of this Order, the amount of Five Hundred Dollars (\$500) to defray the costs of investigation.

(3) The Defendants will make an offer of rescission to one investor pursuant to the following:

(a) Within thirty (30) days of the date of this Order, the Defendants will make a written offer of rescission sent by certified mail to the one investor, which will include an offer to repay Twenty Thousand Dollars (\$20,000), and provides that the investor will have thirty (30) days from the date of receipt of the offer of rescission to provide the Defendants with written notification of his decision to accept or reject the offer.

(b) The Defendants will provide to the Division a copy of the offer of rescission for its review and comment at least ten (10) days before sending it to the investor.

(c) The Defendants will include with the written offer of rescission a copy of this Order.

(d) If the offer of rescission is accepted, the Defendants will forward the payment to the investor within fifteen (15) days of receipt of the acceptance.

(e) Within ninety (90) days from the date of the Order, the Defendants will submit to the Division proof of certified mailing of the offer of rescission and an affidavit, executed by the Defendants, which contains the date on which the investor received the offer of rescission, the response, and, if applicable, the amount and the date that payment was sent.

(4) The Defendants will not offer securities in Expansion for a period of six (6) months from the date of entry of this Order.

(5) On or before December 31, 2017, and December 31, 2018, the Defendants will submit to the Division, a list of any investors in the Fund, including name, address, the type of investment and the amount of the investment.

(6) The Defendants will not violate the Act in the future.

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

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

Accordingly, IT IS ORDERED THAT:

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

(2) The Defendants 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 taking such other action it deems appropriate, on account of the Defendants' 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:

RJ Lackey, Esquire, 341 Main Street, Suite 201, Danville, Virginia 24541-1000;

Richard Smissen, Expansion Industries, LLC, 9 Corporation Way, Suite B, Evington, Virginia

24550; 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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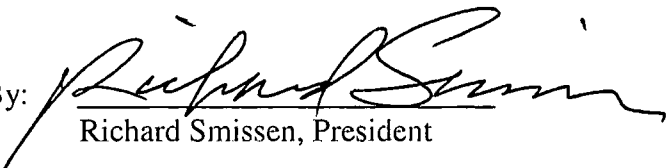
ADMISSION AND CONSENT

Expansion Industries, LLC, and Richard Smissen (collectively, "Defendants"), admit 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 consent to the form, substance and entry of the foregoing Settlement Order ("Order").

The Defendants further state 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.

Expansion Industries, LLC

Date: 5/10/17

By:   
Richard Smissen, President

Date: 5/10/17

  
Richard Smissen