
*
IN THE MATTER OF: *
*
MICHAEL M. REILLY *
CRD. NO. 4841098 *
*
QUANTUM CAPITAL *
INVESTMENTS, LLC *
*

CONSENT ORDER
MATTER NO. CO-22-8518-S

I. PRELIMINARY STATEMENT

WHEREAS, the Banking Commissioner (“Commissioner”) is charged with the administration of Chapter 672a of the General Statutes of Connecticut, the Connecticut Uniform Securities Act (“Act”), and Sections 36b-31-2 to 36b-31-33, inclusive, of the Regulations of Connecticut State Agencies (“Regulations”) promulgated under the Act;

WHEREAS, Michael M. Reilly (“Reilly”), an individual residing in New Fairfield, Connecticut, was registered under the Act as a broker-dealer agent from September 2005 through May 2007. Reilly is not currently registered under the Act and has held no registration under the Act after May 2007 to present day;

WHEREAS, Quantum Capital Investments, LLC (“Quantum Capital”) is a Connecticut limited liability company formed on June 30, 2018 having its principal business address at 117 State RT 39, New Fairfield, Connecticut 06812. Quantum Capital has never been registered in any capacity under the Act. Reilly is the principal member and agent of Quantum Capital;

WHEREAS, Reilly and Quantum Capital are collectively referred to herein as “Respondents”;

WHEREAS, the Commissioner, through the Securities and Business Investments Division (“Division”) of the Department of Banking, has conducted an investigation pursuant to Section 36b-26 of the Act into the activities of Respondents to determine if they have violated, are violating or are about to violate provisions of the Act or Regulations (“Investigation”);

WHEREAS, on June 27, 2008, the Commissioner entered a Consent Order (Docket No. CO-2008-7427-S) with respect to Reilly (“2008 Consent Order”) that alleged that Reilly violated Section 36b-26(d) of the Act by failing to produce documents in response to a subpoena issued by the Division. The 2008

Consent Order barred Reilly for seven (7) years as acting as a broker-dealer, agent, investment adviser, investment adviser agent or agent of issuer and imposed an administrative fine on Reilly in the amount of seven thousand five hundred dollars (\$7,500);

WHEREAS, beginning in 2018 and while doing business as Quantum Capital, Reilly solicited investors to purchase cryptocurrency and silver through Quantum Capital as an investment in a cyptocurrency pool;

WHEREAS, after being cold-called by Reilly a number of times, at least one investor wired approximately \$200,000 over the course of four transactions to a bank account controlled by Reilly for what he believed would be the purchase of a total of 30 bitcoin at an average price of \$7,450.08 per coin. After the price of Bitcoin declined steadily, the investor requested that Reilly sell his 30 bitcoin in March 2019 at approximately \$3,911 per coin. Upon the investor's request, Reilly provided the investor with a bank check for \$32,318.78;

WHEREAS, during on the record testimony provided to the Division on January 9, 2020, when asked about the monetary discrepancy between the payout to the investor versus the actual sale price of the bitcoin, Reilly explained that when an investor invested in cryptocurrency, they did not purchase individual bitcoins, but rather the money was pooled together with that of other clients. The investor payout was then calculated using a percentage based on the amount of money the investor put into the pool. Once this percentage was calculated, the investor was paid out a percentage of the pool based on the overall losses;

WHEREAS, in connection with the cryptocurrency investment, Reilly also failed to adequately disclose to at least one investor that: 1) he was investing in a cryptocurrency pool; and 2) Reilly was previously subject to disciplinary action by the Division;

WHEREAS, the Commissioner, as a result of the Investigation, has reason to believe that a basis exists under Section 36b-27 of the Act for the initiation of administrative proceedings seeking the entry of an order to cease and desist and an order imposing fine against Respondents;

WHEREAS, Section 36b-31(a) of the Act provides, in relevant part, that “[t]he commissioner may from time to time make . . . such . . . orders as are necessary to carry out the provisions of sections 36b-2 to 36b-34, inclusive”;

WHEREAS, Section 36b-31(b) of the Act provides, in relevant part, that “[n]o . . . order may be made . . . unless the commissioner finds that the action is necessary or appropriate in the public interest or for the protection of investors and consistent with the purposes fairly intended by the policy and provisions of sections 36b-2 to 36b-34, inclusive”;

WHEREAS, an administrative proceeding initiated under Sections 36b-27 of the Act would constitute a “contested case” within the meaning of Section 4-166(4) of the General Statutes of Connecticut;

WHEREAS, Section 4-177(c) of the General Statutes of Connecticut and Section 36a-1-55(a) of the Regulations provide that a contested case may be resolved by consent order, unless precluded by law;

WHEREAS, Respondents expressly consent to the Commissioner's jurisdiction under the Act and to the terms of this Consent Order;

WHEREAS, the issuance of this Consent Order is necessary or appropriate in the public interest or for the protection of investors and consistent with the purposes fairly intended by the policy and provisions of the Act;

WHEREAS, Respondents have provided the Commissioner with a sworn financial affidavit demonstrating that they are financially unable to pay the administrative fine of fifteen thousand dollars (\$15,000) and that such fine will be stayed for a period of three years (as set forth in Section IV below);

WHEREAS, Respondents acknowledge that they have had the opportunity to consult with and be represented by independent counsel in negotiating and reviewing this Consent Order and that they execute this Consent Order freely;

AND WHEREAS, Respondents, through their execution of this Consent Order, specifically assure the Commissioner that none of the violations alleged in this Consent Order shall occur in the future.

II. CONSENT TO WAIVER OF PROCEDURAL RIGHTS

WHEREAS, Respondents, through their execution of this Consent Order, each voluntarily waive the following rights:

1. To be afforded notice and an opportunity for a hearing within the meaning of Sections 36b-27 and Section 4-177(a) of the General Statutes of Connecticut;
2. To present evidence and argument and to otherwise avail themselves of Sections 36b-27 and Section 4-177c(a);
3. To present their respective positions in a hearing in which each is represented by counsel;
4. To have a written record of the hearing made and a written decision issued by a hearing officer; and
5. To seek judicial review of, or otherwise challenge or contest the matters described herein, including the validity of this Consent Order.

III. ACKNOWLEDGEMENT OF THE COMMISSIONER'S ALLEGATIONS

WHEREAS, Respondents, through their execution of this Consent Order, acknowledge the following allegations of the Commissioner:

1. Respondents violated Section 36b-16 of the Act by offering and selling securities that were not registered under Section 36b-16 of the Act nor were they the subject of a filed exemption claim or claim of covered security status; and
2. Respondents violated Section 36b-4 of the Act in connection with the offer, sale or purchase of any security, directly or indirectly, by failing to disclose a material fact.

IV. CONSENT TO ENTRY OF SANCTIONS

WHEREAS, Respondents, through their execution of this Consent Order, consent to the Commissioner's entry of an order imposing on them the following sanctions:

1. Respondents shall cease and desist from engaging in conduct constituting or which would constitute a violation of the Act or any regulation or order under the Act including, without limitation, the offer and/or sale of securities in violation of Section 36b-16 of the Act and engaging in conduct proscribed by Section 36b-4 of the Act;
2. From the date this Consent Order is entered by the Commissioner and continuing for a period of seven years, Respondent Reilly shall be **BARRED** from directly or indirectly, through any person, organization, entity or other device, (i) offering or selling securities in or from Connecticut; (ii) transacting business in or from Connecticut as a broker-dealer, agent, investment adviser or investment adviser agent, as such terms are defined in the Act and notwithstanding any definitional exclusion that might otherwise be available under the Act; and (iii) acting in any other capacity which requires a license or registration from the Commissioner; and
3. Based on the contents of the financial affidavit submitted by Respondents to the Division, the imposition of any fine that otherwise would have been imposed against Respondents pursuant to Section 36b-27 of the Act shall be temporarily stayed for three years from the date this Consent Order is entered by the Commissioner, provided that such stay shall no longer be in force and effect, and Respondents will be obligated to immediately pay a fine of fifteen thousand dollars (\$15,000) by the Commissioner, if the Commissioner ascertains at any time that (i) either Respondent is able to pay an administrative fine; or (ii) Respondents failed to disclose any material asset, materially misstated the value of any asset or made any other material misstatement or omission in the financial affidavit. This paragraph is without prejudice to the right of the Commissioner, in his discretion, to take such further action on the matter in the future following expiration of the temporary stay as may be warranted by the then existing circumstances. Respondents, through their execution of this Consent Order, knowingly, wilfully and voluntarily waive their right to notice and an administrative hearing in conjunction with the implementation of this paragraph; provided, however, that, prior to invoking any enforcement measures contemplated by this paragraph, the Commissioner shall provide the relevant Respondent with an informal opportunity to demonstrate its/his compliance with this Consent Order. After the expiration of three years from the date this Consent Order is entered, if the Division determines that Respondents are still unable to pay administrative fine, such fine will be waived.

V. CONSENT ORDER

NOW THEREFORE, the Commissioner enters the following:

1. The Sanctions set forth above be and are hereby entered;
2. Entry of this Consent Order by the Commissioner is without prejudice to the right of the Commissioner to take enforcement action against Respondents based upon a violation of this Consent Order or the matters underlying its entry if the Commissioner determines that compliance with the terms herein is not being observed;

3. Nothing in this Consent Order shall be construed as limiting the Commissioner's ability to take enforcement action against Respondents based upon: (i) evidence of which the Division was unaware on the date hereof relating to a violation of the Act or any regulation or order under the Act; or (ii) evidence indicating that Respondents withheld material information from, or made any material misstatement or omission to, the Commissioner in connection with this matter;
4. Respondents shall not take any action or make or permit to be made any public statement, including in regulatory filings or otherwise, denying, directly or indirectly, that the Commissioner had a basis to pursue the allegations set forth in Section III of this Consent Order, or create the impression that this Consent Order is without factual basis;
5. Respondents shall not take any position in any proceeding brought by or on behalf of the Commissioner, or to which the Commissioner is a party, that is inconsistent with any part of this Consent Order. However, nothing in this Consent Order affects Respondents' (i) testimonial obligations; or (ii) right to take any legal or factual position in litigation, arbitration, or other legal proceedings in which the Commissioner is not a party; and
6. This Consent Order shall become final when entered.

So ordered at Hartford, Connecticut
this 23rd day of June 2022.

_____/s/_____
Jorge L. Perez
Banking Commissioner

CONSENT TO ENTRY OF ORDER

I, Michael M. Reilly, state that I have read the foregoing Consent Order, that I know and fully understand its contents; that I agree freely and without threat or coercion of any kind to comply with the terms and conditions stated herein; and that I consent to the entry of this Consent Order.

_____/s/_____
Michael M. Reilly

State of: Connecticut

County of: Fairfield

On this 23 day of June 2022, before me, the undersigned officer, personally appeared [Michael M. Reilly], known to me (or satisfactorily proven) to be the person whose name is subscribed to the within instrument and acknowledged that he executed the same for the purposes therein contained.

In witness whereof I hereunto set my hand.

_____/s/_____
Notary Public / Commissioner of the Superior Court
Date Commission Expires: 12-31-2024

