

**STATE OF ILLINOIS
SECRETARY OF STATE
SECURITIES DEPARTMENT**

**IN THE MATTER OF: JON HALL; SCOTT VAUGHN;
DAVID FRANCY, LAHARPE NRG, LLC
AND BIO-NRG, LLC**

File No. C1200089

ORDER OF PROHIBITION

TO THE RESPONDENTS: LAHARPE NRG, LLC
c/o Jon Hall
710 E. Main Street
La Harpe, Illinois 61450

BIO-NRG, LLC
c/o Jon Hall
710 E. Main Street
La Harpe, Illinois 61450

JON HALL
710 E. Main Street
La Harpe, Illinois 61450

SCOTT VAUGHAN
710 E. Main Street
La Harpe, Illinois 61450

DAVID FRANCY
710 E. Main Street
La Harpe, Illinois 61450

WHEREAS, the above-captioned matter came to be heard on June 24, 2014, pursuant to the Notice of Hearing dated May 6, 2014, filed by Petitioner Secretary of State, and the record of the matter under the Illinois Securities Law of 1953 [815 ILCS 5] (the "Act") has been reviewed by the Secretary of State or his duly authorized representative;

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WHEREAS, attorney Felicia Simmons-Stovall appeared on behalf of the Illinois Securities Department ("Department") and introduced documentary evidence and witness testimony in support of the allegations contained in the Notice of Hearing;

WHEREAS, the rulings of the Hearing Officer on the admission of evidence and all motions are deemed to be proper and are hereby concurred with by the Secretary of State;

WHEREAS, the proposed Findings of Fact, Conclusions of Law and Recommendations of the Hearing Officer, Canella E. Henrichs., in the above-captioned matter have been read and examined;

WHEREAS, the proposed Findings of Fact of the Hearing Officer are correct are hereby adopted as the Findings of Fact of the Secretary of State:

1. The Department issued the Notice of Hearing on May 6, 2014 setting the hearing for June 24, 2014.
2. The Notice of Hearing included the information required under Section 130.1102 of Subpart K of the Rules and Regulations.
3. Respondent LaHarpe-NRG, LLC ("Respondent LaHarpe" or collectively with Respondents Jon Hall, David Francy and Scott Vaughn, "Respondents") was an Illinois corporation, and a subsidiary of Bio-NRG, LLC, with a last known address in Illinois of 710 E. Main Street, LaHarpe, Illinois 61450.
4. Bio-NRG, LLC ("Respondent Bio" or collectively with Respondents Jon Hall, David Francy, and Scott Vaughan, "Respondents") was a foreign corporation with addresses in Iowa.
5. Bio-NRG, LLC conducted business in Illinois directly and through its subsidiary, LaHarpe-NRG, LLC, with a last known address in Illinois of 710 E. Main Street, LaHarpe, Illinois 61450.
6. Jon Hall ("Respondent Hall" or collectively with Respondents Scott Vaughan, David Francy, LaHarpe and Bio, "Respondents") was a manager of Respondent LaHarpe and the President/CEO of Respondent Bio at all relevant times herein. His last known address is 710 E. Main Street, LaHarpe, Illinois 61450.
7. Scott Vaughan ("Respondent Vaughan" or collectively with Respondents Jon Hall, David Francy, LaHarpe and Bio, "Respondents") was a manager of Respondent LaHarpe and the Chief Operating Officer of Respondent

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Bio at all relevant times herein. His last known address is 710 E. Main Street, LaHarpe, Illinois 61450.

8. David Francy ("Respondent Francy" or collectively with Respondents Jon Hall, Scott Vaughan, LaHarpe and Bio, "Respondents") was a manager of Respondent LaHarpe and the Vice President of Respondent Bio at all relevant times herein. His last known address is 710 E. Main Street, LaHarpe, Illinois 61450.
9. On May 8, 2014, the Secretary of State Index Department accepted service on behalf of the Respondents, and that same day served a copy of the Notice of Hearing on the respondents, via certified mail, return receipt requested, at their last known address within Illinois of 710 E. Main Street, LaHarpe, Illinois 61450.
10. The Respondents failed to answer, appear, or submit a responsive pleading.
11. The Respondents did not appear at the hearing nor were they represented by counsel.
12. Between January 2010 and June 2010, Respondents Hall and Vaughan sold to investors membership interests (also known as "shares", "membership interests", "stock" or "units") in Respondents LaHarpe and/or Bio, in exchange for member ownership agreements that promised investors 10-20 percent rates of return within one year of the investment.
13. Respondents failed to file an application for registration of the above identified securities with the Secretary of State and as a result the securities were not registered pursuant to Section 5 of the Act prior to their offer and sale in the State of Illinois.
14. Investors SB and GB, Investor RR, Investor AR, Investors RJ and BJ, Investor RTT and Investors GS and DS are residents of the State of Illinois.
15. According to Investors, Respondents told them that the investor funds would be used to build a soy bio-diesel plant that was to be constructed in LaHarpe and provide jobs and a new outlet for local farmers to sell their soybeans.
16. Respondents touted the investment investors and potential investors as an opportunity to "improve economy", "provide jobs" and provide "a payroll of nearly one million dollars to be injected into area business annually".

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17. On or about January 4, 2010, on behalf of Respondent LaHarpe, Respondents Hall and Vaughan offered and sold to Investors RJ and BJ, fifty (50) membership interests in Respondent LaHarpe. In exchange, Investor RJ and BJ gave to Respondents Hall and Vaughan a check in the amount of \$25,000.00, made payable to LaHarpe-NRG.
18. On or about February 11, 2010, on behalf of Respondent LaHarpe, Respondents Hall and Vaughan offered and sold to Investors GS and DS, twenty (20) membership interests in Respondent LaHarpe. In exchange, GS and DS gave to Respondents Hall and Vaughan a check in the amount of \$10,000.00, made payable to LaHarpe-NRG.
19. On or about February 12, 2010, on behalf of Respondent LaHarpe, Respondents Hall, Vaughn and Francy offered and sold to Investors RTT, fifty (50) membership interests in Respondent LaHarpe. In exchange, GS and DS gave to Respondents Hall and Vaughan a check in the amount of \$25,000.00, made payable to LaHarpe-NRG.
20. On or about April 9, 2010, on behalf of Respondent LaHarpe, Respondents Hall and Vaughan offered and sold to Investors SB and GB, twenty (20) membership interests in Respondent LaHarpe. In exchange, GS and DS gave to Respondents Hall and Vaughan a check in the amount of \$10,000.00, made payable to LaHarpe-NRG.
21. On or about May 3, 2010, on behalf of Respondent LaHarpe, Respondents Hall and Vaughan offered and sold to Investor RR, twenty (20) membership interests in Respondent LaHarpe. In exchange, RR gave to Respondents Hall and Vaughan a check in the amount of \$10,000.00, made payable to LaHarpe-NRG.
22. On or about June 18, 2010, on behalf of Respondent LaHarpe, Respondents Hall and Vaughan offered and sold to Investor AR, seventy (70) membership interests in Respondent LaHarpe. In exchange, AR gave to Respondents Hall and Vaughan a check in the amount of \$35,000.00, made payable to LaHarpe-NRG.
23. The above identified checks made payable to LaHarpe-NRG, LLC, totaling approximately \$115,000.00, were deposited into the LaHarpe-NRG, LLC account ending in "838" at Two Rivers Bank & Trust of Mt. Pleasant, IA, hereafter the "LaHarpe account". Said account was opened on or about January 6, 2010.
24. On or about November 24, 2010, on behalf of Respondent Bio, Respondent Hall offered and sold to Investor AR, fifty (50) membership interests in Respondent Bio. In exchange, AR gave to Respondents Hall and Vaughan a check in the amount of \$25,000.00, made payable to Bio-NRG.

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25. The above identified check made payable to Bio-NRG, LLC was deposited into the Bio-NRG, LLC account ending in "424" at Two Rivers Bank & Trust of Mt. Pleasant, IA. Said account was opened on or about September 15, 2008.
26. Respondent Hall was signatory on both of the above described LaHarpe and Bio accounts at the Two Rivers Bank and Trust.
27. Between March 2010 and December 2010, Respondent Hall withdrew approximately \$32,900.00 from the LaHarpe account.
28. Between March 2010 and December 2010, Respondent Hall issued to Respondent Vaughan approximately \$21,923.00 from the LaHarpe account.
29. Between March 2010 and December 2010, Respondent Hall issued to Respondent Francy approximately \$19,230.80 from the LaHarpe account.
30. Between January 2009 and July 2011, Respondent Hall withdrew approximately \$170,007.18 from the Bio-NRG account.
31. Between January 2009 and July 2011, Respondent Hall issued to his wife, Donita Hall, approximately \$12,000.00 from the Bio-NRG account.
32. Between January 2009 and July 2011, Respondent Hall issued to Respondent Vaughan approximately \$111,891.95 from the Bio-NRG account.
33. Between January 2009 and July 2011, Respondent Hall issued to Respondent Vaughan's wife, Angela Vaughn, approximately \$9,000.00 from the Bio-NRG account.
34. Between January 2009 and July 2011, Respondent Hall issued to Respondent Francy approximately \$133,580.07 from the Bio-NRG account.
35. Between January 2009 and July 2011, Respondent Hall issued to Respondent Francy's wife, Sara Francy, approximately \$12,000.00 from the Bio-NRG account.
36. The above withdrawals from the Bio account totaled approximately \$448,479.20.
37. On or about October 20, 2011, the Illinois Department of Commerce & Economic Opportunity (DCEO) informed Respondent LaHarpe in a

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second notification that it was not in compliance with the reporting requirements of the grant and that all cash and future funding had been suspended.

38. On or about January 24, 2012, DCEO informed Respondent Hall that it was terminating the grant awarded to Respondent LaHarpe based on “the grantee’s delinquency in reporting, unresponsiveness to providing requested documentation” and “inability to complete the project requirements”.
39. In March 2012, approximately two months Respondent LaHarpe circulated letters to its investors falsely stating that it had been awarded a million dollar grant from the DCEO.
40. To date, despite demands, the Respondents have failed to pay the investors their principal and interest, pursuant to the terms of the Notes.
41. To date, despite demands, Investors have not received any monies back from their investments, pursuant to the terms of the Notes.

WHEREAS, the Secretary of State finds the proposed Conclusions of Law of the Hearing Officer to be correct in part and incorrect in part and are hereby adopted as modified, based on the law and the record in this matter, and adopts them as the Conclusions of Law of the Secretary of State:

1. The Department properly served the Notice of Hearing on the Respondents.
2. The Notice of Hearing included the information required under Section 1102 of the Code.
3. The Secretary of State has jurisdiction over the subject matter hereof pursuant to the Act and personal jurisdiction over Respondents under the Act, the Rules and Regulations and under 805 ILCS 5/505.
4. Because of Respondents’ failure to file a timely answer, special appearance or other responsive pleading in accordance with Section 130.1104:
 - a. The allegations contained in the Notice of Hearing are deemed admitted;
 - b. Respondents waived the right to a hearing; and
 - c. Respondents are subject to an Order of Default.

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5. Because the Respondents failed to appear at the time and place set for hearing, in accordance with Section 130.1109 of the Rules, they:
 - a. waived their right to present evidence, argue, object or cross examine witnesses; or
 - b. otherwise participate at the Hearing.
6. That the activities described in the Findings of Fact above constitute the offer and/or sale of a securities and as those terms are defined in Sections 2.1, 2.5, and 2.5a of the Illinois Securities Law of 1953 [815 ILCS 5] (the "Act").
7. Section 5 of the Act provides, inter alia, that all securities except those exempt under Section 3 of the Act or those offered and sold in transaction exempt under Section 4 of the Act shall be registered with the Secretary of State prior to their offer or sale in the State of Illinois.
8. Pursuant to Section 12.A of the Act, it shall be a violation of the Act for any person to "offer or sell any security except in accordance with provisions of this Act."
9. Pursuant to Section 12.D of the Act, it shall be a violation of the Act for any person to "fail to file with the Secretary of State any application, report or document required to be filed under the provisions of this Act or any rule or regulation made by the Secretary of State pursuant to this Act or to fail to comply with the terms of any order of the Secretary of State issued pursuant to Section 11 hereof."
10. Respondents failed to file an application for registration of the above-referenced securities with the Secretary of State and as a result, the securities were not registered pursuant to Section 5 of the Act prior to their offer and sale in the State of Illinois.
11. By virtue of the foregoing, Respondents violated Sections 12.A and 12.D of the Act.
12. Pursuant to Section 12.F of the Act, it shall be a violation of the Act for any person to "engage in any transaction, practice, or course of business in connection with the sale or purchase of securities which works or tends to work a fraud or deceit upon the purchaser or seller thereof."
13. Based upon the proposed findings of fact, Respondents did not use the Investor funds for the benefit of the Investors but instead fraudulently converted the Investor funds to their own personal use and benefit.

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14. As a result of the foregoing, Respondents violated Section 12.F of the Act.
15. Pursuant to Section 12.G of the Act, it shall be a violation of the Act for any person to “obtain money or property through the sale of securities by means of any untrue statement of a material fact or any omission to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.”
16. Based on the proposed findings of fact, Respondents engaged in fraudulent conduct including false statement(s) that the investor funds would be used to build a soy bio-diesel plant in LaHarpe, providing jobs and a new outlet for local farmers to sell their soybeans, when in fact the investor funds were converted to Respondents’ own personal use and benefit.
17. As a result of the foregoing, Respondents violated Section 12.G of the Act.
18. Pursuant to Section 12.H of the Act, it shall be a violation of the Act for any person to “sign or circulate any statement, prospectus, or other paper or document required by any provision of this Act or pertaining to any security knowing or having reasonable grounds to know any material representation therein contained to be false or untrue.”
19. Based on the proposed findings of fact, Respondents’ fraudulent conduct included in March 2012, Respondent circulated letters to their investors falsely stating that LaHarpe-NRG, LLC had been awarded a million dollar grant from the DCEO.
20. As a result of the foregoing, Respondents violated Section 12.H of the Act.
21. Pursuant to Section 12.I of the Act, it shall be a violation of the Act for any person to “employ any device, scheme or artifice to defraud in connection with the sale or purchase of any security, directly or indirectly.”
22. Based upon the proposed findings of fact, Respondents fraudulent conduct included the false and fraudulent representation that the investor funds would be used to build a soy bio-diesel plant that was to be constructed in LaHarpe, providing jobs and a new outlet for local farmers to sell their soybeans, knowing full well that said money would be converted for Respondents’ own personal use and benefit.
23. Respondents have violated Sections 12.A, 12.D, 12.F, 12.G, 12.H and 12.I of the Act.

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WHEREAS, the Hearing Officer recommended that:

1. An Order of default be entered against Respondents and the allegations in the Notice of Hearing be deemed admitted as to each Respondent;
2. A Permanent Order of Prohibition be entered against each Respondent prohibiting them from offering, advising the sale of, and selling securities in the State of Illinois; and
3. Each Respondent be fined \$60,000.00, representing a \$10,000.00 fine for each violation of the Act, namely, Sections 12.A, 12.D, 12.F, 12.G, 12.H and 12.I.

WHEREAS, the Hearing Officer found the Respondents Jon Hall, David Francy, Scott Vaughan, LaHarpe-NRG, LLC and Bio-NRG, LLC in default and recommended that the Secretary of State PROHIBIT Respondents Jon Hall, David Francy, Scott Vaughan, LaHarpe-NRG, LLC and Bio-NRG, LLC from offering or selling securities in the state of Illinois; and the Department accepts the recommendation of the Hearing Officer.

WHEREAS, the Secretary of State accepts the Recommendations of the Hearing Officer and has determined based upon the Findings of Fact and Conclusions of Law that an Order shall be entered permanently PROHIBITING Respondents Jon Hall, David Francy, Scott Vaughan, LaHarpe-NRG, LLC and Bio-NRG, LLC from offering or selling securities in the State of Illinois.

NOW THEREFORE, IT SHALL BE AND IS HEREBY ORDERED THAT:

1. Jon Hall is **PROHIBITED** from offering, and/or selling securities in the State of Illinois;
2. David Francy is **PROHIBITED** from offering, and/or selling securities in the State of Illinois;
3. Scott Vaughan is **PROHIBITED** from offering, and/or selling securities in the State of Illinois;
4. LaHarpe-NRG, LLC is **PROHIBITED** from offering, and/or selling securities in the State of Illinois;
5. Bio-NRG, LLC is **PROHIBITED** from offering, and/or selling securities in the State of Illinois;

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6. Jon Hall is **FINED** in the amount of \$60,000.00.
7. David Francy is **FINED** in the amount of \$60,000.00
8. Scott Vaughan is **FINED** in the amount of \$60,000.00
9. LaHarpe-NRG, LLC is **FINED** in the amount of \$60,000.00
10. Bio-NRG, LLC is **FINED** in the amount of \$60,000.00

ENTERED: This ~~12th~~ ^{15th} day of December 2014.



JESSE WHITE
Secretary of State
State of Illinois

NOTICE: Failure to comply with the terms of this Order shall be a violation of Section 12.D of the Act. Any person or entity who fails to comply with the terms of this Order shall be a violation of Section 12.D of the Act. Any person or entity who fails to comply with the terms of this Order of the Secretary of State, having knowledge of the existence of this Order, shall be guilty of Class 4 felony.

This is a final order subject to administrative review pursuant to the Administrative Review Law [735 ILCS 5/3-101 et seq.] and the Rules and Regulations of the Act (14 Ill. Admin. Code, Ch. 1 Sec. 130.1123). Any action for judicial review must be commenced within thirty-five (35) days from the date a copy of this Order is served upon the party seeking review.

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Hearing Officer
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