

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

NOTICE OF HEARING

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

You are hereby notified that pursuant to Section 11.F of the Illinois Securities Law of 1953 [815 ILCS 5] (the "Act") and 14 Ill. Adm. Code 130, Subpart K, a public hearing will be held at 69 West Washington Street, Suite 1220, Chicago, Illinois 60602, on June 24, 2014, at the hour of 10:30 a.m. or as soon as possible thereafter, before Canella E. Henrichs or such other duly designated Hearing Officer of the Secretary of State.

Notice of Hearing

- 2 -

Said hearing will be held to determine whether an Order shall be entered prohibiting Jon Hall, Scott Vaughan, David Francy, LaHarpe NRG, LLC and Bio-NRG, LLC, from offering, advising the sale of, and selling securities in the State of Illinois, and/or granting such other relief as may be authorized under the Act including but not limited to the imposition of a monetary fine in the maximum amount pursuant to Section 11.E(4) of the Act, payable within ten (10) business days of the entry of the Order.

The grounds for such proposed action are as follows:

BACKGROUND FACTS

1. La Harpe NRG, LLC ("Respondent La Harpe" or collectively with Respondents Jon Hall, David Francy and Scott Vaughn, "Respondents") was an Illinois corporation. Its last known address is 710 E. Main Street, La Harpe, Illinois 61450.
2. Bio-NRG, LLC ("Respondent Bio" or collectively with Respondents Jon Hall, David Francy, and Scott Vaughn, "Respondents") is a subsidiary of Respondent LaHarpe. Its last known address is 710 E. Main Street, LaHarpe, Illinois 61450.
3. 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.
4. 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 Bio at all relevant times herein. His last known address is 710 E. Main Street, LaHarpe, Illinois 61450.
5. 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.
6. Between January 2010 and June 2010, Respondents Hall and Vaughan sold to investors membership interests in Respondents LaHarpe and/or Bio, in exchange for member ownership agreements that promised investors 10-20 percent rates of return due within one year of the investment ("shares", "membership interests", "stock" or "units").

BACKGROUND FACTS COMMON TO ALL COUNTS

7. 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.
8. Respondents touted the investment to 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".
9. 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 Respondent LaHarpe.
10. 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 Respondent LaHarpe.
11. 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 Respondent LaHarpe.
12. 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 Respondent LaHarpe.
13. 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 Respondent LaHarpe.
14. 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

Notice of Hearing

- 4 -

to Respondents Hall and Vaughan a check in the amount of \$35,000.00, made payable to Respondent LaHarpe.

15. 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 Respondent Bio.
16. Between March 2010 and December 2010, Respondent Hall withdrew approximately \$32,900.00 from the LaHarpe account.
17. Between March 2010 and December 2010, Respondent Hall issued to Respondent Vaughan approximately \$21,923.00 from the LaHarpe account.
18. Between March 2010 and December 2010, Respondent Hall issued to Respondent Francy approximately \$19,230.80 from the LaHarpe account.
19. Between January 2009 and July 2011, Respondent Hall withdrew approximately \$170,007.18 from the Bio-NRG account.
20. Between January 2009 and July 2011, Respondent Hall issued to his wife, Donita Hall, approximately \$12,000.00 from the Bio-NRG account.
21. Between January 2009 and July 2011, Respondent Hall issued to Respondent Vaughan approximately \$111,891.95 from the Bio-NRG account.
22. 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.
23. Between January 2009 and July 2011, Respondent Hall issued to Respondent Francy approximately \$133,580.07 from the Bio-NRG account.
24. 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.
25. 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.

Notice of Hearing

- 5 -

26. To date, despite demands, the Respondents have failed to pay the investors their principal and interest, pursuant to the terms of the Notes.
27. To date, despite demands, Investors have not received any monies back from their investments, pursuant to the terms of the Notes.
28. That the activities set forth in paragraphs above constitute the offer and sale of shares, and therefore a security, as those terms are defined in Section 2.1, 2.5 and 2.5a of the Illinois Securities Law of 1953, 815 ILCS 5/1 *et seq.*

COUNT I

**815 ILCS 5/12.A and D violations: Respondents sold
unregistered securities**

- 1-28. The Illinois Secretary of State re-alleges and incorporates paragraphs 1 through 28 above, as paragraphs 1 through 28 of this Count I.
29. Section 12.A of the Illinois Securities Law of 1953, 815 ILCS 5/1 *et seq.*, (the "Act") states that it shall be a violation of the provisions of this Act for any person to "offer or sell any security except in accordance with the provisions of this Act."
30. 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 transactions 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.
31. Section 12.D of the Illinois Securities Law of 1953, 815 ILCS 5/1 *et seq.*, states that it shall be a violation of the provisions of the Act for any person to "fail to file with the Secretary of State any application, report or document 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.
32. 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.
33. By virtue of the foregoing, Respondents violated Sections 12.A and 12.D of the Act.

COUNT II

**815 ILCS 5/12.F violation: Respondents engaged
in practices in connection with the sale of securities
that worked a fraud or deceit
on the purchaser thereof**

- 1-28. The Illinois Secretary of State re-alleges and incorporates paragraphs 1 through 28 of Count I, as paragraphs 1 through 28 of this Count II.
29. Section 12.F of the Illinois Securities Law of 1953, 815 ILCS 5/1 *et seq.*, states that it shall be a violation of the provisions 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.”
30. The facts alleged in paragraphs 1 through 29 above allege facts that show conduct by the Respondents that violate Section 12.F of the Act. In particular: Respondents did not invest Complainants’ funds for the benefit of Complainants and instead, Respondents converted Complainants’ money for Respondents’ own personal use and benefit. In particular, immediately after investors’ funds were deposited into Respondents LaHarpe account, Respondent Hall withdrew funds and/or transferred the majority of investor funds to Respondent Francy and/or Vaughn and their spouses.

COUNT III

**815 ILCS 5/12.G violations: Respondents obtained
Complainants’ money by making
untrue statement of material fact
and omission to state a material fact**

- 1-28. The Illinois Secretary of State re-alleges and incorporates paragraphs 1 through 28 of Count I, as paragraphs 1 through 28 of this Count III.
29. Section 12.G of the Illinois Securities Law of 1953, 815 ILCS 5/1 *et seq.*, states that it shall be a violation of the provisions 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.”
30. The facts alleged in paragraphs 1 through 29 above allege facts that show conduct by the Respondents that violated Section 12.G of the Act. In

Notice of Hearing

- 7 -

particular: Respondents represented that the Complainants' 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. Instead, Respondents converted Complainants' money for Respondents' own personal use and benefit.

COUNT IV

815 ILCS 5/12.H violation: Respondents signed or circulated statement, prospectus, or other paper or document pertaining to any security knowing or having reasonable grounds to know any material representation therein contained to be false or untrue

- 1-28. The Illinois Secretary of State re-alleges and incorporates paragraphs 1 through 28 of Count I, as paragraphs 1 through 28 of this Count IV.
29. Section 12.H of the Illinois Securities Law of 1953, 815 ILCS 5/1 *et seq.*, states that it shall be a violation of the provisions 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."
30. On or about October 20, 2011, the Illinois Department of Commerce & Economic Opportunity (DCEO) informed Respondent LaHarpe in a 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. 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". However, in March 2012, Respondent LaHarpe circulated letters to its investors falsely stating that it had been awarded a million dollar grant from the DCEO.
31. By virtue of the foregoing, Respondents violated Sections 12.H of the Act.

COUNT V

815 ILCS 5/12.I violation: Respondent employed a scheme to defraud in connection with the sale of securities

- 1-28. The Illinois Secretary of State re-alleges and incorporates paragraphs 1 through 28 of Count I, as paragraphs 1 through 28 of this Count V.

Notice of Hearing

- 8 -

29. Section 12.I of the Illinois Securities Law of 1953, 815 ILCS 5/1 *et seq.*, states that it shall be a violation of the provisions 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."
30. The facts alleged in paragraphs 1 through 29 above allege facts that show conduct by the Respondents that violated Section 12.I of the Act. In particular: Respondents represented that the Complainants' 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. Instead, Respondents converted Complainants' money for Respondents' own personal use and benefit.

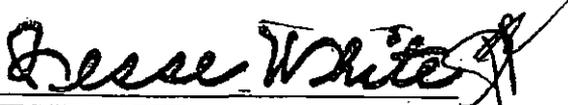
You are further notified that you are required pursuant to Section 130.1104 of the Rules and Regulations (14 Ill. Adm. Code 130) (the "Rules"), to file an answer to the allegations outlined above within thirty (30) days of the receipt of this Notice. A failure to file an answer within the prescribed time shall be construed as an admission of the allegations contained in the Notice of Hearing.

Furthermore, you may be requested by legal counsel; may present evidence; may cross-examine witnesses and otherwise participate. A failure to so appear shall constitute default; unless any Respondent has upon due notice moved for and obtained a continuance.

A copy of the Rules, promulgated under the Act and pertaining to hearings held by the Office of the Secretary of State, Securities Department, is included with this Notice.

Delivery of Notice to the designated representative of any Respondent constitutes service upon such Respondent.

Dated: This 6th day of May 2014.



JESSE WHITE
Secretary of State
State of Illinois

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