

State of Missouri  
Office of Secretary of State

Case No. AP-09-03

IN THE MATTER OF:

SHAREVALUE, INC.; and  
RICHARD F. REYNOLDS,

Respondents.

Serve ShareValue, Inc. at:  
2415 W. Main Street  
Bozeman, Montana 59718-3808

Serve Richard F. Reynolds at:  
18925 S. Ash Street  
Belton, Missouri 64012-8900  
and  
P.O. Box 3622  
Bozeman, Montana 59772-3622

**ORDER TO CEASE AND DESIST AND ORDER TO SHOW CAUSE WHY  
CIVIL PENALTIES AND COSTS SHOULD NOT BE IMPOSED**

On January 14, 2009, the Enforcement Section of the Securities Division of the Office of Secretary of State (the "Enforcement Section"), through its Assistant Commissioner of Securities Mary S. Hosmer, submitted a Petition for Order to Cease and Desist and Order to Show Cause Why Civil Penalties and Costs Should Not Be Imposed. After reviewing the petition, the Commissioner issues the following findings of fact, conclusions of law and order:

**I. FINDINGS OF FACT**

1. ShareValue, Inc. ("ShareValue"), was a foreign corporation registered in Missouri to engage in internet sales and marketing. ShareValue was administratively dissolved by the State of Missouri on December 5, 2005. ShareValue reapplied as a foreign corporation in Missouri on February 16, 2006, and was again administratively dissolved on October 6, 2006. ShareValue has a last known address of 2415 W. Main Street, Bozeman, Montana 59718-3808. ShareValue had a website at [www.sharevalue.com](http://www.sharevalue.com).
2. Richard F. "Rick" Reynolds ("Reynolds") is the organizer and president of ShareValue and has a last-known address of 18925 South Ash Street, Belton, Missouri 64012-8900.
3. As used herein, the term "Respondents" refers to ShareValue and Reynolds.
4. In September 2007, Reynolds met with a Missouri resident ("MR") at a restaurant in Springfield, Missouri to discuss investing in ShareValue. Reynolds told MR, among other things, that:
  - a. ShareValue was an "open market direct sales company;"
  - b. Reynolds needed funds to "launch the company and start sales;"
  - c. members could buy and sell products and services through ShareValue's website; and
  - d. the products and services were sold to members at five percent (5%) over costs.
5. Reynolds gave MR a document titled *Executive Summary* which stated, in part, the following:
  - a. "ShareValue is the first 'Open Market Direct Sales Company' providing Members access to great product values of their choice, the opportunity to build a residual income, and the ability to share in company profits . . . .";
  - b. "Rick Reynolds has been the Chairman/CEO of ShareValue since founding the company in May of 1999. Mr. Reynolds, for the last 20 years, has been a small business consultant working with some of the world's first eCommerce companies.

Along with his notable strategic Internet business development experience, Mr. Reynolds' track record of successful Internet product innovations and market-proven Internet sales strategy implementations are a credit to his highly empathetic marketing instincts and visionary thinking.

An expert in network marketing infrastructure development, organization growth and team management, Mr. Reynolds realized the market demand for an 'Open Market Direct Sales Company' that put its Members' needs and demands for quality 'best' priced products as top priority setting the exciting vision for ShareValue . . . .";

- c. the profit margins were estimated to be between twenty to twenty-five percent (20-25%) on the products and services offered through ShareValue;
  - d. ShareValue was offering to sell seven hundred thousand (700,000) shares in three stages to provide an incentive for early investors:
    - i. "Stage I: 100,000 shares offered at \$1.00 of which 36,500 have been issued. These shares have a return on investment guarantee of 12% paid monthly";
    - ii. Stage II: 250,000 shares will be available at \$1.00;
    - iii. "Stage III: 350,000 remaining will be offered at \$1.50 per share;"
  - e. the seven hundred thousand (700,000) shares were valued at eight hundred seventy-five thousand dollars (\$875,000); and
  - f. interested investors were to contact Reynolds.
6. On September 6, 2007, MR invested twenty thousand dollars (\$20,000) and was given twenty-five thousand shares of ShareValue stock. Reynolds presented the following documents to MR for signature:
- a. *Shareholder Agreement*;
  - b. *Stock Subscription Agreement*;
  - c. *Shareholder Put Option Agreement*; and
  - d. *Earning Guarantee Agreement*.
7. The *Earning Guarantee Agreement* provided, among other things, that MR would receive a guaranteed monthly payment of two hundred fifty dollars (\$250).
8. MR stated to a securities investigator that MR has not received any of these guaranteed payments.
9. The *Shareholder Put Option Agreement* provided that if the company failed to pay the guaranteed return, it would repurchase the shares from MR within 90 days of receipt of notice of redemption from MR.
10. On April 28, 2008, MR provided Reynolds and ShareValue with this notice of redemption under the *Shareholder Put Option Agreement* but neither Reynolds nor ShareValue has repurchased MR's shares.
11. On May 27, 2008, Reynolds sent an email to MR that stated, in part, the following:
- a. ShareValue has been "hit" four times with database attacks coming out of China "in protest of the Olympic games;"
  - b. Reynolds had been involved in household moving activities; and
  - c. Reynolds had the flu.
12. On June 12, 2008, Reynolds sent MR an email that stated, among other things, that:
- "Our current offering will provide the shareholders placing the next \$100,000 to receive a kicker of 1% of the next \$10,000,000 in the ShareValue of all company products sold. This is meant to be a great little kicker and cash flow reward for those who come in now to help fund our start up sales initiative . . . .
- A small placement of \$1,000 to \$5,000 will give ShareValue a great needed boost and help stabilize and enhance our sales growth while giving you a little extra in the years ahead too!"
13. A check of the records maintained by the Missouri Commissioner of Securities confirmed that:
- a. there is no current registration or notice filing indicating status as a "federal covered security" for the stock offered by Respondents; and
  - b. Reynolds has never been registered as a securities agent in Missouri.
14. By letter dated October 6, 2008, the Enforcement Section sent an inquiry to Reynolds asking for, among other things, any claim of exemption from registration or exception from the definition of a security relied upon in this offering.

15. Neither ShareValue nor Reynolds responded to the Enforcement Section's inquiry.
16. Reynolds did not tell MR, among other things, that:
  - a. Respondents were not registered to offer or sell securities in the State of Missouri;
  - b. ShareValue was administratively dissolved on October 6, 2006;
  - c. the names of the world's first "eCommerce companies," where Reynolds had worked;
  - d. the internet businesses developed by Reynolds;
  - e. the method used to determine that the 700,000 shares in ShareValue were worth eight hundred seventy-five thousand dollars (\$875,000);
  - f. the financial condition of ShareValue;
  - g. background information for Reynolds and other directors, officers or other persons having similar status or performing similar functions for ShareValue, including, but not limited to, their:
    - i. principal occupations for the previous five years;
    - ii. ownership or interest held in each entity; or
    - iii. remuneration received during the previous twelve months and estimated to be received during the next twelve months; and/or
  - h. ShareValue's operational history, including, but not limited to, the cash flow for the last twelve months.
17. Reynolds made untrue statements to MR including, but not limited to, the following:
  - a. guaranteed monthly payments of two hundred fifty dollars (\$250), beginning on October 7, 2007; and
  - b. told MR that if the company failed to pay the guaranteed return, it would repurchase the shares from MR within 90 days of receipt of notice of redemption from MR.

## **II. STATUTORY PROVISIONS**

18. Section 409.6-601(a), RSMo. (Cum. Supp. 2008), provides that the Missouri Securities Act of 2003 "shall be administered by the commissioner of securities . . . ."
19. Section 409.1-102(1), RSMo. (Cum. Supp. 2008), defines "Agent" as "an individual, other than a broker-dealer, who represents a broker-dealer in effecting or attempting to effect purchases or sales of securities or represents an issuer in effecting or attempting to effect purchases or sales of the issuer's securities."
20. Section 409.1-102(17), RSMo. (Cum. Supp. 2008), defines "Issuer" as "a person that issues or proposes to issue a security . . . ."
21. Section 409.1-102(26), RSMo. (Cum. Supp. 2008), defines "Sale" to include, "every contract of sale, contract to sell, or disposition of, a security or interest in a security for value." That same section defines "offer to sell" as "every attempt or offer to dispose of, or solicitation of an offer to purchase, a security or interest in a security for value."
22. Section 409.1-102(28), RSMo. (Cum. Supp. 2008), provides the definition of a "Security." That definition included, among other things: "stock;" "evidence of indebtedness;" and "investment contract."
23. Section 409.3-301, RSMo. (Cum. Supp. 2008), states:
 

It is unlawful for a person to offer or sell a security in this state unless:

  - (1) The security is a federal covered security;
  - (2) The security, transaction, or offer is exempted from registration under sections 409.2-201 to 409.2-203; or
  - (3) The security is registered under this act.
24. Section 409.4-402(a), RSMo. (Cum. Supp. 2008), states:
 

It is unlawful for an individual to transact business in this state as an agent unless the individual is registered under this act as an agent or is exempt from registration as an agent under subsection (b).
25. Section 409.4-402(d), RSMo. (Cum. Supp. 2008), states:

It is unlawful for . . . an issuer engaged in offering, selling, or purchasing securities in this state, to employ or associate with an agent who transacts business in this state on behalf of . . . issuers unless the agent is registered under subsection (a) or exempt from registration under subsection (b).

26. Section 409.5-501, RSMo. (Cum. Supp. 2008), states:

It is unlawful for a person, in connection with the offer, sale, or purchase of a security, directly or indirectly:

- (1) To employ a device, scheme, or artifice to defraud;
- (2) To make an untrue statement of a material fact or to omit to state a material fact necessary in order to make the statement made, in light of the circumstances under which it is made, not misleading; or
- (3) To engage in an act, practice, or course of business that operates or would operate as a fraud or deceit upon another person.

27. Section 409.6-604(a), RSMo. (Cum. Supp. 2008), states:

If the commissioner determines that a person has engaged, is engaging, or is about to engage in an act, practice, or course of business constituting a violation of this act or a rule adopted or order issued under this act or that a person has materially aided . . . an act, practice or course of business constituting a violation of this act . . . the commissioner may:

- (1) Issue an order directing the person to cease and desist from engaging in the act, practice, or course of business or to take other action necessary and appropriate to comply with this act;
- (2) Issue an order denying, suspending, revoking, or conditioning the exemptions for a broker-dealer under section 409.4-401(b)(1)(D) or (F) or an investment adviser under section 409.4-403(b)(1)(C); or
- (3) Issue an order under section 409.2-204.

28. Section 409.6-604(d), RSMo. (Cum. Supp. 2008), states:

In a final order . . . the commissioner may impose a civil penalty up to one thousand dollars (\$1,000) for a single violation or up to ten thousand dollars (\$10,000) for more than one violation.

29. Section 409.6-604(e), RSMo. (Cum. Supp. 2008), states:

In a final order, the commissioner may charge the actual cost of an investigation or proceeding for a violation of this act or a rule adopted or order issued under this act. These funds may be paid into the investor education and protection fund.

### **III. CONCLUSIONS OF LAW**

#### **Multiple Violations of Offering and Selling Unregistered, Nonexempt Securities**

30. Paragraphs 1 through 29 are incorporated by reference as though fully set forth herein.

31. Respondents offered and sold a security as those terms are defined in Sections 409.1-102 (26) and (28), RSMo. (Cum. Supp. 2008).

32. At all times relevant, records maintained by the Commissioner of Securities contained no registration, granted exemption or notice filing indicating status as a “federal covered security” for the investments offered and sold by Respondents.

33. Respondents violated Section 409.3-301, RSMo. (Cum. Supp. 2008), when they offered and sold securities in Missouri without these securities being (1) a federal covered security, (2) exempt from registration under Sections 409.2-201 or 409.2-202, RSMo. (Cum. Supp. 2008), or (3) registered under the Missouri Securities Act of 2003.

34. Respondents’ offer and sale of unregistered securities constitutes an illegal act, practice, or course of business and such action is therefore subject to the commissioner’s authority under Section 409.6-604(a), RSMo. (Cum. Supp. 2008).

#### **Multiple Violations of Transacting Business as an Unregistered Agent**

35. Paragraphs 1 through 29 are incorporated by reference as though fully set forth herein.

36. At all times relevant, records maintained by the Missouri Commissioner of Securities contained no registration or granted exemption for Respondent Reynolds to transact business as an agent in the State of Missouri.

37. Reynolds violated Section 409.4-402(a), RSMo. (Cum. Supp. 2008), when he offered or sold securities in the State of Missouri without being registered or exempt from registration as an agent.

38. Reynolds' action in transacting business as an unregistered agent constitutes an illegal act, practice, or course of business and such action is therefore subject to the commissioner's authority under Section 409.6-604(a), RSMo. (Cum. Supp. 2008).

**Multiple Violations of Employing an Unregistered Agent**

39. Paragraphs 1 through 29 are incorporated by reference as though fully set forth herein.
40. ShareValue employed an agent who effected transactions in the account of a Missouri investor. These activities constitute transacting business in the State of Missouri.
41. ShareValue has not registered any agents in the State of Missouri.
42. ShareValue violated Section 409.4-402(d), RSMo. (Cum. Supp. 2008), when it employed an unregistered agent who transacted business in the State of Missouri.
43. ShareValue's action of employing an unregistered agent who transacted business in this state constitutes an illegal act, practice, or course of business and such action is therefore subject to the commissioner's authority under Section 409.6-604(a), RSMo. (Cum. Supp. 2008).

**Multiple Violations of Making an Untrue Statement or Omitting to State Material Facts in Connection with the Offer or Sale of a Security**

44. Paragraphs 1 through 29 are incorporated by reference as though fully set forth herein.
45. In connection with the offer or sale of securities to MR, Respondents made the following statements of material fact:
- a. Respondents guaranteed monthly payment of two hundred fifty dollars (\$250), beginning on October 7, 2007; and
  - b. Respondents told MR that if the company failed to pay the guaranteed return, it would repurchase the shares from MR within 90 days of receipt of notice of redemption from MR,
- when, in fact, such statements were untrue.
46. In connection with the offer or sale of securities to MR, Respondents omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading, including, but not limited to, the following:
- a. Respondents were not registered to offer or sell securities in the State of Missouri;
  - b. ShareValue was administratively dissolved on October 6, 2006;
  - c. the names of the world's first "eCommerce companies," where Reynolds had worked;
  - d. the internet businesses developed by Reynolds;
  - e. the method used to determine that the 700,000 shares in ShareValue were worth eight hundred seventy-five thousand dollars (\$875,000);
  - f. the financial condition of ShareValue;
  - g. background information for Reynolds and other directors, officers or other persons having similar status or performing similar functions for ShareValue, including, but not limited to, their:
    - i. principal occupations for the previous five years;
    - ii. ownership or interest held in each entity; or
    - iii. remuneration received during the previous twelve months and estimated to be received during the next twelve months; and/or
  - h. ShareValue's operational history, including but not limited to, the cash flow for the last twelve months.
47. Respondents violated Section 409.5-501, RSMo. (Cum. Supp. 2008), when, in connection with the offer and sale of a security, they made untrue statements of material fact and omitted to state material facts necessary in order to make statements made, in light of the circumstances under which they were made, not misleading.
48. Respondents' actions in making untrue statements and omitting to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading, in connection with the offer, sale or purchase of a security, constitute illegal acts, practices, or courses of business and such actions are therefore subject to the

Commissioner's authority under Section 409.6-604(a), RSMo. (Cum. Supp. 2008).

49. This order is in the public interest and consistent with the purposes intended by the Missouri Securities Act of 2003. See Section 409.6-605(b), RSMo. (Cum. Supp. 2008).

#### **IV. ORDER**

**NOW THEREFORE**, it is hereby ordered that Respondents, their agents, employees and servants, and all other persons participating in or about to participate in the above-described violations with knowledge of this Order are prohibited from:

- A. violating or materially aiding in any violation of Section 409.3-301, RSMo. (Cum. Supp. 2008), by offering or selling any securities as defined by Section 409.1-102(28), RSMo. (Cum. Supp. 2008), in the State of Missouri unless those securities are registered with the Securities Division of the Office of the Secretary of State in accordance with the provisions of Section 409.3-301;
- B. violating or materially aiding in any violation of Section 409.4-402, RSMo. (Cum. Supp. 2008), by transacting business as an unregistered agent;
- C. violating or materially aiding in any violation of Section 409.4-402, RSMo. (Cum. Supp. 2008), by employing an unregistered agent; and
- D. violating or materially aiding in any violation of Section 409.5-501, RSMo. (Cum. Supp. 2008), by, in connection with the offer or sale of securities, making an untrue statement of a material fact or omitting to state a material fact necessary in order to make the statement made, in the light of the circumstances under which it is made, not misleading.

**IT IS FURTHER ORDERED** that, pursuant to Section 409.6-604(d), RSMo. (Cum. Supp. 2008), the Commissioner will determine whether to grant the Enforcement Section's petition for an imposition of a civil penalty of up to ten thousand dollars (\$10,000) against each Respondent, for multiple violations of Section 409.3-301, RSMo. (Cum. Supp. 2008), in a final order, unless Respondents request a hearing and show cause why the penalty should not be imposed.

**IT IS FURTHER ORDERED** that, pursuant to Section 409.6-604(d), RSMo. (Cum. Supp. 2008), the Commissioner will determine whether to grant the Enforcement Section's petition for an imposition of a civil penalty of up to ten thousand dollars (\$10,000) against Respondent Reynolds for multiple violations of Section 409.4-402(a), RSMo. (Cum. Supp. 2008), in a final order, unless Reynolds requests a hearing and shows cause why the penalty should not be imposed.

**IT IS FURTHER ORDERED** that, pursuant to Section 409.6-604(d), RSMo. (Cum. Supp. 2008), the Commissioner will determine whether to grant the Enforcement Section's petition for an imposition of a civil penalty of up to ten thousand dollars (\$10,000) against Respondent ShareValue for multiple violations of Section 409.4-402(d), RSMo. (Cum. Supp. 2008), in a final order, unless ShareValue requests a hearing and shows cause why the penalty should not be imposed.

**IT IS FURTHER ORDERED** that, pursuant to Section 409.6-604(d), RSMo. (Cum. Supp. 2008), the Commissioner will determine whether to grant the Enforcement Section's petition for an imposition of a civil penalty of up to ten thousand dollars (\$10,000) against each Respondent for multiple violations of Section 409.5-501, RSMo. (Cum. Supp. 2008), in a final order, unless Respondents request a hearing and show cause why the penalty should not be imposed.

**IT IS FURTHER ORDERED** that, as the Enforcement Section has petitioned for an award for the costs of the investigation against Respondents in this proceeding, the Commissioner will issue a final order, pursuant to Section 409.6-604(e), RSMo. (Cum. Supp. 2007), awarding an amount to be determined after review of evidence submitted by the Enforcement Section, unless Respondents request a hearing and show cause why an award should not be made to the agency.

**SO ORDERED:**

WITNESS MY HAND AND OFFICIAL SEAL OF MY OFFICE AT JEFFERSON CITY, MISSOURI THIS 26<sup>TH</sup> DAY OF JANUARY, 2009.

ROBIN CARNAHAN  
SECRETARY OF STATE

State of Missouri  
Office of Secretary of State

(Signed/Sealed)  
MATTHEW D. KITZI  
COMMISSIONER OF SECURITIES

Case No. AP-09-03

IN THE MATTER OF:

SHAREVALUE, INC.; and  
RICHARD F. REYNOLDS,

Respondents.

Serve ShareValue, Inc. at:  
2415 W. Main Street  
Bozeman, Montana 59718-3808

Serve Richard F. Reynolds at:  
18925 S. Ash Street  
Belton, Missouri 64012-8900  
or  
P.O. Box 3622  
Bozeman, Montana 59772-3622

**NOTICE**

**TO: Respondents and any unnamed representatives aggrieved by this Order:**

You may request a hearing in this matter within thirty (30) days of the receipt of this Order pursuant to Section 409.6-604(b), RSMo. (Cum. Supp. 2008), and 15 CSR 30-55.020.

Within fifteen (15) days after receipt of a request in a record from a person or persons subject to this order, the Commissioner will schedule this matter for a hearing.

A request for a hearing must be mailed or delivered, in writing, to:

**Matthew D. Kitzi, Commissioner of Securities  
Office of the Secretary of State, Missouri  
Kirkpatrick State Information Center  
600 West Main Street, Room 229  
Jefferson City, Missouri, 65102.**

**CERTIFICATE OF SERVICE**

I hereby certify that on this 26<sup>th</sup> day of January, 2009, copies of the foregoing Order and Notice in the above styled case was **mailed by certified U.S. Mail, postage prepaid, to:**

ShareValue, Inc.  
2415 W. Main Street  
Bozeman, Montana 59718-3808

Richard Reynolds  
18925 S. Ash Street  
Belton, Missouri 64012-8900  
and  
P.O. Box 3622  
Bozeman, Montana 59772-3622

**And hand delivered to:**

Mary S. Hosmer  
Assistant Commissioner  
Securities Division

John Hale  
Specialist