



STATE OF MISSOURI
OFFICE OF SECRETARY OF STATE

IN THE MATTER OF:)
)
RICHARD HEYL,)
)
)
Respondent,) AP-16-27
)
Serve: Richard Heyl)
6535 Loran Avenue)
St. Louis, Missouri 63109)

CONSENT ORDER

SUMMARY OF ENFORCEMENT SECTION’S ALLEGATIONS

1. The Enforcement Section of the Missouri Securities Division of the Office of Secretary of State (“Enforcement Section”), through Director of Enforcement John Phillips, has alleged that Richard Heyl (“Respondent”) offered and sold unregistered, non-exempt securities and employed an unregistered agent who transacted business in the state of Missouri, in violation of Sections 409.3-301 and 409.4-402, RSMo (Cum. Supp. 2013),¹ and that this constitutes grounds to issue an order pursuant to Section 409.6-604. Heyl sold shares in JFOV, LLC, which was an LLC that owned and operated a beachfront compound in St. John’s, U.S. Virgin Islands that was to operate as a luxury hotel. Heyl took a commission in the form of an increased percentage of the LLC in exchange for selling these securities.
2. Respondent and the Enforcement Section desire to settle the allegations and the matters raised by the Enforcement Section relating to the Respondents’ alleged violations of Section 409.3-301 and 409.4-402.

CONSENT TO JURISDICTION

3. Respondent and the Enforcement Section stipulate and agree that the Missouri Commissioner of Securities (“Commissioner”) has jurisdiction over the Respondent and these matters pursuant to the Missouri Securities Act of 2003, Chapter 409, *et seq.*

¹ Unless otherwise noted, all statutory references are to the 2013 cumulative supplement to the Revised Statutes of Missouri.

4. Respondent and the Enforcement Section stipulate and agree that the Commissioner has authority to enter this Order pursuant to Section 409.6-604(h), which provides:

“The commissioner is authorized to issue administrative consent orders in the settlement of any proceeding in the public interest under this act.”

WAIVER AND EXCEPTION

5. Respondent waives Respondent’s right to a hearing with respect to this matter.
6. Respondent waives any right that Respondent may have to seek judicial review or otherwise challenge or contest the terms and conditions of this Order. Respondent specifically forever release and hold harmless the Missouri Office of Secretary of State, Secretary of State, Commissioner, and their respective representatives and agents from any and all liability and claims arising out of, pertaining to, or relating to this matter.
7. Respondent stipulates and agrees with the Enforcement Section that, should the facts contained herein prove to be false or incomplete in a material way, the Enforcement Section reserves the right to pursue any and all legal or administrative remedies at its disposal.

CONSENT TO COMMISSIONER’S ORDER

8. Respondent and the Enforcement Section stipulate and agree to the issuance of this Consent Order without further proceedings in this matter, agreeing to be fully bound by the terms and conditions specified herein.
9. Respondent agrees not to take any action or to make or permit to be made any public statement creating the impression that this Order is without factual basis. Nothing in this paragraph affects Respondents’ (a) testimonial obligations; (b) right to take legal or factual positions in connection with litigation, arbitration, or other legal proceeding in which the Commissioner is not a party; or (c) right to make public statements that are factual.
10. Respondent agrees that Respondent is not the prevailing party in this action since the parties have reached a good faith settlement.
11. Respondent neither admits nor denies the allegations made by the Enforcement Section, but consent to the Commissioner’s Findings of Fact, Conclusions of Law, and Order as set forth below solely for the purposes of resolving this proceeding and any proceeding that may be brought to enforce the terms of this Consent Order.
12. This Order is not intended to subject Respondent to disqualification under the laws of the United States or any state or territory, or under the rules or regulations of any securities regulator or self-regulatory organization, including, without limitation, any disqualification from relying upon the state or federal registration exemptions or safe harbor provisions.

13. Subject to all of the foregoing provisions, Respondent and the Enforcement Section agree that this Consent Order resolves all matters related to Richard Heyl, JFOV, LLC, Heyl Partners Station Plaza, LLC, and Madaford Gardens, LLC that are under investigation or known by the Enforcement Section as of the date of the Order.

COMMISSIONER'S FINDINGS OF FACT,
CONCLUSIONS OF LAW, AND ORDER

I. FINDINGS OF FACT

14. Richard M. Heyl ("Heyl") is a sixty-four (64) year old Missouri resident who resides at 6535 Loran Avenue, St. Louis, Missouri 63109. Heyl was one of the managing members of John's Folly Ocean Villas, LLC.
15. Johns Folly Ocean Villas, LLC ("JFOV") is a limited liability company formed under the laws of the Territory of the U.S. Virgin Islands, with a last known principal office address of 10024 Office Center Avenue, Suite 200, St. Louis, Missouri 63128. According to its Operating Agreement, JFOV's original managing members were Heyl and John J. Palczuk.
16. At all times relevant, Heyl has not been registered in the State of Missouri as an investment adviser representative, a broker-dealer agent, and/or an issuer agent.
17. At all times relevant, there was no registration, granted exemption or notice filing indicating status as a "federal covered security" for securities of JFOV.
18. As used herein, the term "Respondent" refers to Heyl.

Missouri Resident

19. In October 2015, the Enforcement Section received a written complaint from a fifty-eight (58) year old resident of Washington, Missouri ("MR").
20. Sometime prior to June 2004, MR learned about an investment opportunity involving real estate with Heyl through MR's tax accountant, who was also Heyl's accountant.
21. In June 2004, MR invested six thousand dollars (\$6,000) with Heyl via personal check for investment into JFOV.
22. In October 2004, MR invested an additional fifty-four thousand dollars (\$54,000) by three (3) separate checks: \$24,000 dated October 29, 2004; \$6,000 dated October 30, 2004; and \$24,000 dated October 31, 2004. All three checks were made payable to Rick Heyl and were for additional investments into JFOV. For this \$60,000, MR received 2% of the JFOV, LLC shares.

23. In a July 13, 2012 deposition², Heyl stated the JFOV property was purchased first by Heyl and his partner, then was ultimately put into JFOV, LLC.
24. On March 1, 2006, Global Valuation appraised Lot 1 of JFOV with a market value of \$1,740,000 and Lot 2 with a market value of \$1,620,000. This is a total market value as of March 1, 2006, according to Global Valuation, of \$3,360,000.
25. On January 1, 2007, MR on behalf of LorCon LLC and Heyl signed an Agreement for Assignment of Ownership Share contract. LorCon LLC and/or MR transferred shares in another entity for which MR had paid \$49,500 (plus capital calls) to Heyl for an additional 1% ownership in JFOV.
26. On September 3, 2014, Heyl appeared before the Enforcement Section for an on-the-record examination. During this interview, Heyl stated the following:
 - a. JFOV was a development property in the U.S. Virgin Islands, which had approximately twenty to twenty-four (20-24) investors; and
 - b. MR had an interest in JFOV, after “swapping out” MR’s interest in Heyl Plaza after Heyl Plaza had financial issues and MR also wanted to invest additional funds.
27. On April 17, 2016, Heyl appeared before the Enforcement Section for an on-the-record examination. During this interview, Heyl stated he owned 25% of JFOV.
28. Heyl and his partner paid \$250,000 for the initial purchase of JFOV property. According to Heyl, the property was valued at \$750,000 at the time Heyl began accepting investors.
29. Despite that property value appreciation, by the time Heyl sold shares of JFOV to investors, Heyl owned a 25% stake in JFOV, while only contributing money or property equivalent to a 12.5% stake in JFOV. Therefore Heyl received a commission on his sale of JFOV shares.
30. Investors into JFOV included person(s) from Missouri, North Carolina, Connecticut, Florida and US Virgin Islands

CONCLUSIONS OF LAW

31. The Commissioner finds Respondent offered and sold unregistered, non-exempt securities, and Respondent JFOV employed an unregistered agent who transacted business in the State of Missouri, and that this conduct constitutes grounds to issue an order pursuant to Section 409.6-604.

² *Robert O Shea, Jr., et al. v. Peoples National Bank, et al.*, Case No. 11-CV-01415.

32. The Commissioner, after consideration of the stipulations set forth above and on the consent of Respondent and the Enforcement Section, finds and concludes that the Commissioner has jurisdiction over Respondent and this matter and that the following Order is in the public interest, necessary for the protection of public investors and consistent with the purposes intended by Chapter 409.

ORDER

NOW, THEREFORE, it is hereby Ordered that:

1. Respondent Heyl is permanently enjoined and restrained from offering and selling unregistered, non-exempt securities and employing unregistered agents, in violation of Sections 409.3-301, and 409.4-402.
2. Respondent Heyl shall be permanently barred from associating with and/or acting as a broker-dealer, broker-dealer agent, investment adviser, investment adviser representative and/or issuer agent in the State of Missouri.
3. Respondent Heyl is ordered to pay \$30,000 in restitution. Two thousand dollars of this amount shall be delivered to the Missouri Securities Division at 600 W. Main Street, Jefferson City, Missouri 65101 fifteen days from the execution of this Consent Order. The remaining \$28,000 shall be paid in twenty-eight equal monthly installments of \$1,000, which shall be due and payable on the first of each month beginning on September 1, 2016, continuing until the entire amount is paid in full. All restitution payments shall be sent or delivered to the Missouri Securities Division at 600 W. Main Street, Jefferson City, Missouri 65101, and shall be made payable to the Missouri Secretary of State's Investor Restitution Fund. These payments will be distributed by that Fund to the investor in the amount as stated in the attached Exhibit 1.
4. Respondent Heyl is ordered to pay twenty-five thousand dollars (\$25,000) to the Investor Education and Protection Fund. This payment shall be suspended for two (2) years from the date of the Consent Order.
5. Respondent is ordered to pay five thousand dollars (\$5,000) as the cost of this investigation. This payment shall be suspended for two (2) years from the date of the Consent Order.
6. All suspended payments and unpaid portions of the restitution amount in paragraph 3 above shall become due immediately upon the sooner of (1) Respondents' noncompliance with the terms of this Consent Order, or (2) a finding, after notice and opportunity for a hearing, by the Commissioner or a court of competent jurisdiction that Respondent has violated the Missouri Securities Act. Such immediately due payments shall be in addition to all other penalties then available under the law.

7. After two (2) years from the date of this Consent Order, provided Respondent has complied with all terms of this Consent Order, all suspended payments in paragraphs 4 and 5 above shall be fully waived.
8. Respondent shall pay his own costs and attorneys' fees with respect to this matter.

SO ORDERED:

WITNESS MY HAND AND OFFICIAL SEAL OF MY OFFICE AT JEFFERSON CITY, MISSOURI THIS 15th DAY OF August, 2016.



JASON KANDER
SECRETARY OF STATE

Andrew M. Hartnett
ANDREW M. HARTNETT
COMMISSIONER OF SECURITIES

Consented to by:

THE ENFORCEMENT SECTION OF THE
MISSOURI SECURITIES DIVISION

John Phillips
John Phillips
Director of Enforcement

RESPONDENT

Richard Heyl
Richard Heyl