



STATE OF MISSOURI
OFFICE OF SECRETARY OF STATE

IN THE MATTER OF:)
)
DEVCOH, LLC; and)
DAVID JOHN SPALDING,)
)
Respondents.)
)
Serve: DevCoH, LLC)
c/o United States Corporation Agents, Inc.)
1028 N. Kingshighway St.)
Cape Girardeau, MO 63701-3503)
)
David J. Spalding)
3102 Trout Camp Road)
Waterloo, IL 62298)

Case No.: AP-22-10

ORDER TO CEASE AND DESIST AND ORDER TO SHOW CAUSE WHY CIVIL PENALTIES, RESTITUTION, COSTS, AND OTHER ADMINISTRATIVE RELIEF SHOULD NOT BE IMPOSED

On July 6, 2022, the Enforcement Section of the Missouri Securities Division of the Office of Secretary of State ("the Enforcement Section"), through Director of Enforcement Douglas M. Jacoby, submitted a Petition for Order to Cease and Desist and Order to Show Cause Why Civil Penalties, Costs, and Other Administrative Relief Should Not Be Imposed ("the Petition"). After reviewing the Petition, the Missouri Commissioner of Securities ("the Commissioner") issues the following order:

I. ALLEGATIONS OF FACT

The Petition alleges the following facts:

A. Introduction

Respondents DevCoH, LLC and David J. Spalding defrauded an elderly Imperial, Missouri resident by misappropriating the funds she invested in a promissory note security, in violation of Sections 409.5-501(1) and 409.5-501(3) of the Missouri Securities Act of 2003, Chapter 409, *et*

seq. (“the Act”).¹

B. Respondents and Related Parties

1. DevCoH, LLC (“DevCoH” or “the Company”), is a Missouri limited liability company formed on February 27, 2015, with a last known principle place of business at 3102 Trout Camp Road, Waterloo, Illinois 62298. DevCoH engages in the business of residential property renovation and resale. Although DevCoH presently retains an active entity status with Missouri, it is not operational.
2. David John Spalding (“Spalding”) is a sixty-two-year-old Waterloo, Illinois resident. Spalding is the owner and operator of DevCoH, LLC. Between December 1, 2017 and December 31, 2017 (“Relevant Period”), Spalding was also a signatory (and the only active signatory) on DevCoH’s small business checking account ending in #1989 at First Bank (“DevCoH Bank Account #1989”).

C. Enforcement Section’s Investigation

Promissory Note Offer and Sale

3. On December 7, 2017, Spalding visited the home of a then sixty-eight-year-old female resident of Imperial, Missouri (“MR1”) seeking to raise funds for DevCoH to complete a real estate project—the renovation and sale of a residential home located at 6033 Mardel Ave., St. Louis, Missouri 63109—on which the Company purported to be working.
4. Spalding had a history of borrowing funds from MR1 prior to the December 7, 2017, visit.
5. To document the December 7, 2017, transaction, Spalding presented MR1 with a one-page document labeled “Promissory Note” (“the Note”).
6. According to the terms of the Note, Respondents “jointly and severally” guaranteed “prompt and punctual payment” to MR1 of her \$18,500 principal plus \$3,000 interest “on or before December 29, 2017”, and agreed “to remain bound until fully paid.”
7. The Note was not collateralized, insured, or secured in any manner.
8. Both Spalding and MR1 signed the Note. Spalding executed the Note on behalf of DevCoH on December 6, 2017, and MR1 signed the Note on December 7, 2017, during Spalding’s visit to MR1’s home.
9. On December 7, 2017, in conjunction with the execution of the Note, MR1 presented Spalding with a personal check (“Check”) for \$18,500, paid to the order of DevCoH. MR1 wrote the address “6033 Mardel” on the memo line located at the bottom left-side of the Check.

¹ Unless otherwise indicated, statutory citations refer to the 2016 edition of the Revised Statutes of Missouri, updated by the 2021 Cumulative Supplement.

10. MR1 had no involvement in the operation or management of DevCoH or the property located in St. Louis at 6033 Mardel Ave.

Misappropriation of MR1's Funds

11. A review of records for DevCoH Bank Account #1989 shows the deposit of MR1's Check on December 7, 2017, the funds from which then commingled with other funds in DevCoH Bank Account #1989.
12. Prior to the deposit of MR1's Check, the balance in DevCoH Bank Account #1989 was \$155.82.
13. A first-in-first-out (FIFO) analysis of the activity in DevCoH Bank Account #1989 between December 7, 2017, and December 11, 2017, shows the following uses, among others, by Respondents, of MR1's funds:
 - a. more than \$5,500 paid into the bank account of another small business enterprise, Bootsies Bakery LLC, owned by Spalding;
 - b. \$5000 paid to another DevCoH investor;
 - c. a \$1,500 check written by Spalding to himself for "Restaurant Equipment";
 - d. \$600 in cash withdrawals from ATMs;
 - e. a \$455 payment made to Rent to Own Auto Center in St. Louis for a 2015 Ford F150 truck, which had been personally leased by Spalding on March 23, 2017;
 - f. more than \$53.00 in gasoline purchases; and
 - g. \$51.67 paid to a Cracker Barrel restaurant.
14. To date, MR1 has not received any payment, either in the form of interest or a return of her initial \$18,500 principal, on the Note from Spalding or DevCoH.

II. COMMISSIONER'S DETERMINATIONS AND FINDINGS

COUNT I – One Violation of Section 409.5-501(1)

15. **THE COMMISSIONER DETERMINES** that the Note offered and sold to MR1 by Respondents is a security under Section 409.1-102(28).
16. By engaging in the conduct as set forth above, Respondents, in connection with the offer and sale of a security, employed a device, scheme, or artifice to defraud, in violation of Section 409.5-501(1).
17. Respondents' violation of Section 409.5-501(1) constitutes an engagement in an illegal act.

practice, or course of business subject to the Commissioner's authority under Section 409.6-604.

COUNT II - One Violation of Section 409.5-501(3)

18. **THE COMMISSIONER FURTHER DETERMINES** that by engaging in the conduct as set forth above, Respondents, in connection with the offer and sale of a security, engaged in an act, practice or course of business that operates or would operate as a fraud or deceit upon another person, in violation of Section 409.5-501(3).
19. Respondents' violation of Section 409.5-501(3) constitutes an engagement in an illegal act, practice, or course of business subject to the Commissioner's authority under Section 409.6-604.
20. An order is in the public interest and is consistent with the purposes of the Missouri Securities Act of 2003. *See* Section 409.6-605(b).

III. 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 be prohibited from violating or materially aiding in any violation of:

- A. Section 409.5-501(1), by, in connection with the offer or sale of securities, employing a device, scheme or artifice to defraud; and
- B. Section 409.5-501(3), by, in connection with the offer or sale of securities, engaging in an act, practice, or course of business that operates or would operate as a fraud or deceit upon another person.

IV. STATEMENT

Pursuant to Section 409.6-604, the Commissioner states that he will determine whether to grant the Enforcement Section's requests for:

- A. \$5,000 against Respondents, jointly and severally, for violating Section 409.5-501(1), plus an additional \$10,000 for the commitment of such violation against an elderly person, in a final order, unless Respondents request a hearing and show cause why the penalties should not be imposed;
- B. \$5,000 against Respondents, jointly and severally, for violating Section 409.5-501(3), plus an additional \$10,000 for the commitment of such violation against an elderly person, in a final order, unless Respondents request a hearing and show cause why the penalties should not be imposed;
- C. an order to pay restitution in the amount of \$18,500 against Respondents, jointly and

severally, plus annual interest at a rate of eight percent from the date of the investment until paid in full, for any loss, including the amount of any actual damages that may have been caused by Respondents' conduct;


- D. an award of the costs of the investigation against Respondents, jointly and severally, in this proceeding, 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; and
- E. an order that the Commissioner provides such other relief as he deems just unless Respondents request a hearing and show cause why the relief should not be imposed.

All of the preceding relief is sought on behalf of the persons injured by the acts and practices of all Respondents that constitute violations of the Missouri Securities Act.

SO ORDERED:

WITNESS MY HAND AND OFFICIAL SEAL OF MY OFFICE AT JEFFERSON CITY, MISSOURI THIS 7th DAY OF JULY 2022.

JOHN R. ASHCROFT
SECRETARY OF STATE



DAVID M. MINNICK
COMMISSIONER OF SECURITIES





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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, and 15 CSR 30-55.020. Any requests for hearing before the Commissioner must contain:

- a. a brief statement of the facts;
- b. a summary of the factual and legal issues involved;
- c. a request for relief;
- d. suggestions in support of the relief sought, including the relevant statutes;
- e. the name of the party requesting the hearing; and
- f. the name of the attorney representing the party, if any.

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:

David M. Minnick, Commissioner of Securities
Office of the Secretary of State, Missouri Secretary of State
600 West Main Street, Room 229
Jefferson City, Missouri 65102

CERTIFICATE OF SERVICE

I hereby certify that on this 7th day of July, 2022, a copy of the foregoing Order to Cease and Desist and Order to Show Cause Why Civil Penalties, Restitution, and Costs Should Not Be Imposed in the above styled case was **mailed via certified U.S. mail to:**

DevCoH, LLC
c/o United States Corporation Agents, Inc.
1028 N. Kingshighway St.
Cape Girardeau, MO 63701-3503

David J. Spalding
3102 Trout Camp Road
Waterloo, IL 62298

and hand delivered to:

Douglas M. Jacoby
Director of Enforcement
Missouri Securities Division


Laurie Dawson
Securities Office Manager