

STATE OF NEW JERSEY
BUREAU OF SECURITIES
P.O. Box 47029
153 Halsey St., 6th Floor
Newark, New Jersey 07101
(973) 504-3600

IN THE MATTER OF:

RONALD CHARLES HEIDEL,
FRANK RICHARD HENDRICKS,
MICHAEL JOSEPH REYNOLDS, and
DOMINION SETTLEMENT FUNDING, INC.

**SUMMARY BAR AND
PENALTY ORDER**

Pursuant to the authority granted to Amy Kopleton, the Acting Chief of the New Jersey Bureau of Securities (“Bureau Chief”), by the Uniform Securities Law (1997), N.J.S.A. 49:3-47 et seq. (“Securities Law”), more specifically, N.J.S.A. 49:3-56, N.J.S.A. 49:3-69 and N.J.S.A. 49:3-70.1, and after investigation, review, and due consideration of the facts and statutory provision’s set forth below and:

- 1) The April 21, 2006 Indictment, United States v. Hendricks, United States District Court of Oregon, Case Nos. CR 05-60051 and 06-60119;
- 2) The April 2, 2007, Judgment in a Criminal Case United States v. Hendricks, United States District Court of Oregon, Case Nos. CR 05-60051 and 06-60119;
- 3) The November 11, 2009 Amended Judgment in a Criminal Case, United States v. Hendricks, United States District Court of Oregon, Case Nos. CR 05-60051 and 06-60119 ;
- 4) The May 16 2007 Judgment in a Criminal Case, United States v. Ronald Heidel, United States District Court of Maryland, Case No, AMD-05-0596;

the Bureau Chief hereby finds that there is good cause to enter this Summary Order against Dominion Settlement Funding, Inc., Ronald C. Heidel, Frank R. Hendricks, and Michael J. Reynolds, and makes the following findings:

FINDINGS OF FACTS

1. Dominion Settlement Funding, Inc. (“Dominion”) is a Wyoming corporation formed in July 2012, with business locations in Plantation, Florida and Howell, New Jersey.

2. Since September 2013, Dominion has been engaged in the business of providing pre-settlement funding to litigants.

3. Since January 2013, Dominion also issued, offered and sold securities to the public. Investors received a promissory note in exchange for their investment (“Dominion Notes”). Dominion falsely represented it pooled investor funds and made loans to the pre-settlement funding clients from that pool.

4. The Dominion Notes, in relevant part, provided for the repayment of principal plus a fixed rate of interest due one year from the date of the investment.

5. The Dominion Notes were not registered with the Bureau, not “federally covered” nor exempt from registration.

6. Ronald C. Heidel (“Heidel”), a resident of Sanibel, Florida, is the founder and Principal Officer of Dominion. Heidel has never been and is not now registered with the Bureau in any capacity.

7. Frank R. Hendricks (“Hendricks”), a resident of Howell, New Jersey, has been the office manager and employee supervisor at Dominion’s New Jersey office (the “New Jersey Office”) since around November 2012. Prospective investors were solicited by personnel from the New Jersey Office.

8. As office manager, Hendricks supervised at least three (3) Dominion personnel at the New Jersey Office. As further described below, Hendricks also oversaw the offer and sale of the Dominion Notes. Hendricks has never been and is not now registered with the Bureau in any capacity.

9. Michael J. Reynolds (“Reynolds”), a resident of Oceanport, New Jersey, was employed as an “independent sales consultant” for Dominion since January 2013 in the New Jersey Office.

10. Reynolds was a licensed Floor Broker with the National Futures Association (“NFA”) from 1987-2007, an Associated Person with NFA from 2000-2004, and a Principal with NFA from 2000-2004. Reynolds has never been and is not now registered with the Bureau in any capacity.

Undisclosed Criminal History

11. On October 24, 2006, Hendricks pleaded guilty to Conspiracy to Commit Mail and Wire Fraud, Wire Fraud, and Failure to File a U.S. Income Tax Return in United States v. Hendricks, United States District Court of Oregon, Case Nos. CR 05-60051 and 06-60119. On April 24, 2007, Hendricks was sentenced to seventy-two (72) months in prison and ordered to pay \$8,785,374 in restitution for those offenses. The underlying allegations in the complaint involved an investment fraud.

12. On October 4, 2006, Heidel pleaded guilty to making False Statements on Tax Return in United States v. Heidel, United States District Court of Maryland, Case No. AMD-05-0596. On May 16, 2007, Heidel was sentenced to eighteen (18) months in prison for that offense.

13. Heidel and Hendricks met in prison while serving their sentences. Heidel was released in 2008. Upon his release, Heidel founded Dominion.

14. Hendricks was released in 2012.

15. In or around November 2012, Heidel hired Hendricks to be office manager of the New Jersey Office. Hendricks reported to Heidel.

16. While working at Dominion, Reynolds became aware that Heidel had a criminal conviction due to a tax offense.

17. Prospective investors and investors were not told about Heidel's nor Hendricks's prior criminal convictions.

Offer and Sale of the Dominion Notes

18. Since at least January 2013, Dominion through Heidel, Hendricks, and Reynolds began offering the Dominion Notes for sale to the general public from the New Jersey Office through several means.

Marketing Material

19. In connection with the offer and sale of the Dominion Notes, Dominion, Heidel, Hendricks, and Reynolds sent prospective investors marketing materials regarding Dominion's pre-settlement funding business, operations, accomplishments, and safeguards, which included an advertisement package ("Investor Materials") created by Hendricks using information from other pre-settlement funding companies, Wikipedia, and other internet websites.

20. Heidel reviewed and approved the Investor Materials and authorized its mailing to prospective investors.

21. The Investor Materials was also posted on Dominion's website for prospective investors and distributed to prospective investors that visited the New Jersey Office.

22. Dominion, through Reynolds, also mailed the Investor Materials to residents throughout the United States, including New Jersey.

23. Dominion, through Hendricks and Heidel, made representations to prospective investors that included:

- a. Dominion would provide an annual return of 15% plus on investments;
- b. no labor was necessary to earn the investment return;
- c. no studying was necessary to earn the investment return;
- d. an investment with Dominion has low to no risk involved;
- e. an investment with Dominion is guaranteed;
- f. Dominion “invests in hundreds of settlements at any given time, and only participates in settlements that it knows has the best chance of coming through. As a result, all invested funds are extremely safe and secure;”
- g. Dominion declines hundreds of pre-settlement funding cases, only selecting cases that pass its attorneys’ due diligence;
- h. Dominion’s “percentage of failed cases is less than 1%,”
- i. an investor is “guaranteed to receive your return no matter what happens on the settlement case side making this the safest possible investment you could ever make;”
- j. Dominion “is talking to hundreds of investors every week. Some are small investors that can only handle the minimum to start. Others can handle much higher amounts;” and
- k. Dominion was only accepting investments for one year.

24. The representations in the Investor Materials were false or misleading for reasons that included:

- a. Dominion did not provide all its investors a 15% plus annual return;

- b. an investment with Dominion had associated risks, including the risk of bankruptcy, lack of pre-litigation funding clients, lack of office financing, Heidel's death, employee misconduct and/or insolvency;
- c. The investment was not guaranteed and the purported guarantee was subject to risk;
- d. Dominion did not invest in hundreds of settlements at any given time;
- e. Dominion did not decline hundreds of pre-settlement funding cases;
- f. Dominion did not have a long enough track record to state that its percentage of failed cases was less than 1%. Out of the approximate 15 lawsuits in which it provided pre-settlement funding, 12 were still pending as of September 13, 2013;
- g. Dominion was not actively speaking with hundreds of investors a week.;
- h. Dominion only had two actual investors who invested approximately \$5,000 each; and
- i. The window to invest with Dominion was not restricted to one year as Dominion and Heidel did not intend to stop the offer and sale of the Dominion Notes.

Dominion Website

25. In 2013, Hendricks developed and thereafter maintained Dominion's website. The Investor Materials was posted on the Dominion website.

26. Heidel approved the content of Dominion's website.

27. Dominion, through Hendricks and Heidel, falsely represented on the Dominion website that Dominion “offers a program for the investor that provides, at minimum, a solid 15% annualized yield.”

28. Dominion, through Reynolds, directed potential investors and investors to the website for information about the investment opportunity.

Cold Calling Prospective Investors

29. Heidel approved and Hendricks supervised Reynolds’s cold-calls to prospective investors in connection with the offer and sale of the Dominion Notes. Dominion through Hendricks purchased lists of industry-specific individuals, or “leads,” from an internet-based advertising company for the cold calls.

Direct Mail Marketing

30. In connection with the offer and sale of the Dominion Notes, Dominion through Hendricks, with Heidel’s knowledge, engaged a direct mail marketing company to send out advertisements through the mail to residents in several New Jersey counties.

31. Hendricks designed and created two advertisements, which falsely represented that Dominion guaranteed at least a 15% and 10% return on investments, respectively.

32. The first direct mailing was on February 8, 2013, which resulted in a Dominion advertisement guaranteeing a 15% return on investments being sent to exactly 100,000 New Jersey households across Monmouth County and Middlesex County.

33. The second direct mailing was on March 8, 2013, which resulted in a Dominion advertisement guaranteeing a 10% return on investments being sent to exactly 100,000 New Jersey households across Hunterdon County, Monmouth County, Middlesex County, Mercer County and Somerset County.

Dominion Investors

34. In 2013, Dominion through Heidel, Hendricks, and Reynolds sold the Dominion Notes to two investors.

Investor T.S.

35. T.S. knew Reynolds through a trading company Reynolds previously owned.

36. In early 2013, Reynolds called T.S. and represented to him that Dominion was a good investment that could earn him a percentage on his money.

37. Reynolds spoke with T.S. on multiple occasions about investing with Dominion and sent him the Investor Materials.

38. Prior to investing with Dominion, T.S. visited and reviewed Dominion's website.

39. In February 2013, T.S. invested \$5,000 with Dominion.

40. The Dominion Note dated February 1, 2013 issued to T.S., and signed by T.S. and Heidel, on behalf of Dominion, provided, in relevant part, that:

- a. T.S. was guaranteed a 16% return on his investment;
- b. payment of principal and interest was due within one year; and
- c. T.S. may seek enforcement of the Dominion Note solely against Dominion.

Investor L.M.

41. Reynolds contacted L.M. through a cold-call.

42. Reynolds and L.M. discussed the Dominion investment opportunity during at least two phone conversations.

43. Prior to investing in Dominion, L.M. visited and reviewed Dominion's website.

44. In March 2013, L.M. invested \$5,000 with Dominion.

45. The Dominion Note dated March 18, 2013 issued to L.M. and signed by L.M. and Heidel, on behalf of Dominion, provided, in relevant part, that:

- a. L.M. was guaranteed a 12% return on his investment;
- b. payment of principal and interest was due within one year;
- c. if L.M. provided Dominion an additional \$5,000 investment, L.M. could secure 15% on his entire principal amount; and
- d. L.M. may seek enforcement of the Dominion Note solely against Dominion.

CONCLUSIONS OF LAW

DOMINION, HEIDEL, HENDRICKS, AND REYNOLDS SOLD UNREGISTERED SECURITIES IN VIOLATION OF N.J.S.A 49:3-60

46. The preceding paragraphs are repeated verbatim as if set forth herein.

47. The Dominion Notes are securities as defined in the Securities Law.

48. Dominion through Heidel, Hendricks, and Reynolds offered and sold securities in the form of the Dominion Notes that were not registered with the Bureau, not “federally covered,” nor were the securities exempt for registration, in violation of N.J.S.A 49:3-60

49. Each offer to sell and sale of the unregistered Dominion Notes constitutes a violation of N.J.S.A 49:3-60 and is cause for the imposition of a civil monetary penalty pursuant to N.J.S.A. 49:3-70.1.

HEIDEL, HENDRICKS AND REYNOLDS ACTED AS AN AGENT WITHOUT REGISTRATION IN VIOLATION OF N.J.S.A. 49:3-56(a)

50. The preceding paragraphs are repeated verbatim as if set forth herein.

51. Heidel, Hendricks, and Reynolds represented Dominion in effecting or attempting to effect transactions in securities from or in New Jersey and, thus, acted as agents, as defined in N.J.S.A. 49:3-49(b) of the Securities Law, without being registered with the Bureau to sell the

Dominion Notes, in violation of N.J.S.A. 49:3-56(a), and is cause for the imposition of a civil monetary penalty pursuant to N.J.S.A. 49:3-70.1.

52. Each sale or attempted sale to investors constitutes a violation of N.J.S.A. 49:3-56(a) and is cause for the imposition of a civil monetary penalty pursuant to N.J.S.A. 49:3-70.1.

**DOMINION EMPLOYED AN UNREGISTERED
AGENT IN VIOLATION OF N.J.S.A. 49:3-56(h)**

53. The preceding paragraphs are repeated verbatim as if set forth herein.

54. Dominion employed or engaged Heidel, Hendricks, and Reynolds as agents in effecting or attempting to effect transactions in securities from and in New Jersey, witho it being registered with the Bureau, in violation of N.J.S.A. 49:3-56(h), and is cause for the imposition of a civil monetary penalty pursuant to N.J.S.A. 49:3-70.1.

55. Each sale or attempted sale to investors constitutes a violation of N.J.S.A. 49:3-56(h) and is cause for the imposition of a civil monetary penalty pursuant to N.J.S.A. 49:3-70.1.

**DOMINION, HEIDEL, HENDRICKS AND REYNOLDS MADE
UNTRUE STATEMENTS OF MATERIAL FACT AND OMITTED
TO STATE MATERIAL FACTS NECESSARY IN ORDER TO MAKE
THE STATEMENTS MADE IN THE LIGHT OF THE
CIRCUMSTANCES UNDER WHICH THEY ARE MADE, NOT
MISLEADING IN VIOLATION OF N.J.S.A. 49:3-52(b)**

56. The preceding paragraphs are repeated verbatim as if set forth herein.

57. In connection with the offer and sale of the Dominion Notes, Dominion, Heidel, Hendricks, and Reynolds made materially false and misleading statements and/or 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 to investors, in violation of N.J.S.A. 49:3-52(b), and is cause for the imposition of a civil monetary penalty pursuant to N.J.S.A. 49:3-70.1.

58. Each violation of N.J.S.A. 49:3-52(b) upon each investor is a separate violation and is cause for the imposition of a civil monetary penalty pursuant to N.J.S.A. 49:3-70.1.

HENDRICKS AND HEIDEL WERE CONVICTED OF CRIMES INVOLVING FRAUDULENT PRACTICES AS DESCRIBED IN N.J.S.A. 49:3-56(K)

59. The preceding paragraphs are repeated verbatim as if set forth herein

60. Hendricks' and Heidel's conviction of crimes involving fraudulent practices is grounds pursuant to N.J.S.A. 49:3-56(k) to summarily bar them from being a partner, officer or director of an issuer, broker-dealer or investment adviser, or from occupying a similar status or performing a similar function or from directly or indirectly controlling or being controlled by an issuer, broker-dealer or investment adviser, or from acting as a broker-dealer, agent or investment adviser in New Jersey.

THEREFORE, based on the foregoing findings of fact and conclusions of law, **IT IS** on this 2nd day of May, 2014:

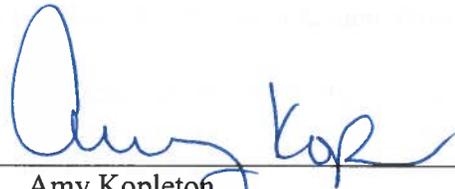
ORDERED THAT Dominion, Heidel, Hendricks, and Reynolds are jointly and severally assessed a civil monetary penalty in the amount of **\$110,000.00**; and it is further

ORDERED THAT Dominion, Heidel, Hendricks, and Reynolds shall cease and desist from further violations of the Securities Law; and it is further

ORDERED THAT Heidel and Hendricks are barred, pursuant to N.J.S.A. 49:3-56(k), from being a partner, officer or director of an issuer, broker-dealer or investment adviser, or from occupying a similar status or performing a similar function or from directly or indirectly controlling or being under common control or being controlled by an issuer, broker-dealer or investment adviser, or from acting as a broker-dealer, agent or investment adviser in this State; and it is further

ORDERED THAT Dominion, Heidel, Hendricks, and Reynolds are denied all exemptions contained in N.J.S.A. 49:3-50, subsection (a), paragraph 9, 10, 11, and subsection (b); and it is further

ORDERED THAT the exemptions to the registration requirements provided by N.J.S.A. 49:3-56(b), N.J.S.A. 49:3-56(c), and N.J.S.A. 49:3-56(g) are hereby revoked as to Dominion, Heidel, Hendricks, and Reynolds.

By: 
Amy Kopleton
Acting Bureau Chief

NOTICE OF RIGHT TO HEARING

You are advised that upon service of notice of this Penalty Order issued by the Bureau Chief, Respondents shall have up to fifteen (15) days to respond to the Bureau in the form of a written answer and written request for a hearing. A request for a hearing must be accompanied by a written response, which addresses specifically each of the reasons set forth in the Order which formed the basis for its entry. A general denial is unacceptable. Within five (5) business days of receiving the written answer and request for a hearing, the Bureau Chief shall either transmit the matter to the Office of Administrative Law for a hearing, or schedule a hearing at the Bureau of Securities. At any hearing involving this matter, an individual respondent may appear on his/her own behalf or be represented by an attorney. If an applicant fails to respond by filing a written answer and request for a hearing with the Bureau within the fifteen (15) day prescribed period, the Order shall become a final order and remain in effect until modified or vacated.

NOTICE OF OTHER ENFORCEMENT REMEDIES

You are advised that the Uniform Securities Law (1997) N.J.S.A. 49:3-47 et seq., provides several enforcement remedies, which are available to be exercised by the Bureau Chief, either alone or in combination. These remedies include, in addition to this action, the right to seek and obtain injunctive and ancillary relief in a civil enforcement action, N.J.S.A. 49:3-69, and the right to seek and obtain civil penalties in an administrative or civil action, N.J.S.A. 49:3-70.1.

You are further advised that the entry of a Final Order does not preclude the Bureau Chief from seeking and obtaining other enforcement remedies against you in connection with the claims made against you in this action.

