

1 STATE OF WASHINGTON
2 DEPARTMENT OF FINANCIAL INSTITUTIONS
3 SECURITIES DIVISION

4 IN THE MATTER OF DETERMINING) Order Number S-05-023-06-SC01
5 Whether there has been a violation of the)
6 Securities Act of Washington by:) STATEMENT OF CHARGES AND NOTICE
7 Bright Star Energy, Inc.; Bright Star Energy) OF INTENT TO ENTER ORDER TO CEASE
8 Project #1, L.L.C., Inc.; Peter Ragucci; Don) AND DESIST, DENY REGISTRATION,
9 Vincent;) AND TO IMPOSE FINES AND COSTS
10)
11) Respondents)

12 THE STATE OF WASHINGTON TO: Bright Star Energy, Inc.
13 Bright Star Energy Project #1, L.L.C.
14 Peter Ragucci
15 Don Vincent

16 **STATEMENT OF CHARGES**

17 Please take notice that the Securities Administrator of the State of Washington has reason
18 to believe that Respondents, Bright Star Energy, Inc.; Bright Star Energy Project #1, L.L.C.;
19 Peter Ragucci; and Don Vincent have each violated the Securities Act of Washington and that
20 their violations justify the entry of an order of the Securities Administrator under RCW
21 21.20.390 against each to cease and desist from such violations. The Securities Administrator
22 finds as follows:

23 **TENTATIVE FINDINGS OF FACT**

24 *Respondents*

1. Bright Star Energy, Inc. was registered as a Nevada corporation until September 1, 2005,
when the registration was revoked by the State of Nevada. The Washington Secretary of State

1 has no record that Bright Star Energy, Inc. has applied for a certificate of authority to do business
2 in Washington as a foreign entity. Bright Star Energy, Inc.'s principal place of business was at
3 350 Crenshaw Blvd., Suite A205, Torrance, CA.

4 2. Bright Star Energy Project #1, L.L.C., also known as Bright Star Energy, L.L.C., ("Bright
5 Star") is a California limited liability corporation with its principal place of business at 350
6 Crenshaw Blvd., Suite A205, Torrance, CA. The Washington Secretary of State has no record
7 that Bright Star has applied for a certificate of authority to do business in Washington as a
8 foreign entity. Bright Star is a subsidiary of Bright Star Energy, Inc.

9 3. Peter Ragucci ("Ragucci") is the President of Bright Star and of Bright Star Energy, Inc.
10 Ragucci is believed to reside in Massachusetts.

11 4. Don Vincent ("Don Vincent") is an account executive for Bright Star. Vincent is
12 believed to reside in California.

13 *Description of the Conduct*

14 5. Beginning in June 2003, Vincent and Ragucci offered and sold at least \$30,000 of 1%
15 participant interests ("Participant Interests") in an oil and natural gas drilling operation to at least
16 two Washington investors. In total, Vincent and Ragucci may have received as much as
17 \$442,000 from investors throughout the United States.

18 6. Tyler Pipeline, Inc., also known as Trans Energy, Inc., ("Tyler Pipeline") is a West
19 Virginia Corporation.

20 7. Tyler Pipeline is an oil and natural gas exploration and distribution company based in
21 West Virginia. Tyler Pipeline owned several drill sites in West Virginia.

1 8. On October 7, 2002, Tyler Pipeline assigned two drill sites in Centerville District, Tyler
2 County, West Virginia to Bright Star Energy, Inc. for nine months.

3 9. According to Tyler Pipeline, Bright Star Energy, Inc. failed to exercise the Tyler Pipeline
4 assignment. Bright Star Energy, Inc. did not contact Tyler Pipeline by the expiration date of the
5 assignment, or at all, and the drill sites were re-assigned to another party.

6
7 *Investor A*

8 10. In June 2003, Vincent telephoned a Skagit County widower (“Investor A”) to solicit an
9 investment in Bright Star. Vincent did not have a prior business relationship with Investor A and
10 Investor A had not heard of Bright Star or Vincent prior to Vincent’s telephone call.

11 11. Vincent told Investor A that Bright Star would drill two gas wells in Tyler County, West
12 Virginia. Vincent told Investor A that the wells would produce gas for 15 years and that it would
13 take two years to pay investors back for their initial investment. Vincent told Investor A that
14 after two years the investors would receive a 20-30% return per year. Vincent called this
15 mailbox money because you walk to your mailbox and there is a package of money.

16 12. Vincent told Investor A that if one of the wells did not produce as expected the investors
17 would receive an interest in the next well drilled by the company.

18 13. Vincent told Investor A that Bright Star was the best investment that Investor A could
19 have and that it was guaranteed to succeed.

20 14. Investor A told Vincent that he did not want to invest because he did not have to money
21 to invest. Investor A was not an accredited investor. An accredited investor has a net worth that
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1 exceeds \$1 million or an income in excess of \$200,000 for the past two years with a reasonable
2 expectation of reaching the same income level in the current year.

3 15. Vincent encouraged Investor A to cash out his 401k retirement savings to invest in Bright
4 Star. Vincent was very persistent and called Investor A every day to ask him to invest.

5 16. Vincent and Ragucci assured Investor A that the drill site would be productive and the
6 demand for oil and natural gas would continue to increase.

7 17. On July 14, 2003, Investor A sent a check for \$20,000 to Vincent to purchase two
8 Participant Interests in Bright Star.

9 18. Investor A received a letter dated July 15, 2003. Enclosed with the letter was a copy of
10 the Subscription Agreement signed by Ragucci on July 15, 2003 and a Model Form Operating
11 Agreement signed by Ragucci on July 15, 2003.

12 19. On a number of occasions, Vincent reassured Investor A that the drilling would
13 commence soon despite some delays.

14 20. On September 20, 2004, Investor A telephoned Vincent. The telephone number had been
15 disconnected.

16 21. Investor A has not received a return on his investment.

17
18 *Investor B*

19 22. In July 2003, Vincent contacted a Washington resident residing in Benton County
20 (“Investor B”) to invest in Bright Star. Vincent did not have a prior business relationship with
21 Investor B and Investor B had not heard of Bright Star or Vincent prior to Vincent’s telephone
22 call.

1 23. Both Vincent and Ragucci subsequently telephoned Investor B to discuss the investment
2 in Bright Star.

3 24. Investor B was not an accredited investor and had never invested in a gas drilling project.

4 25. Ragucci told Investor B that he was very experienced in gas drilling. Ragucci said that
5 all twenty-two wells he has drilled were successful.

6 26. The West Virginia Department of Environmental Protection, the agency that regulates oil
7 and gas projects in West Virginia, has no record of Bright Star Energy, Inc., Bright Star,
8 Ragucci, or Vincent.

9 27. Both Ragucci and Vincent told Investor B that the price of natural gas was expected to
10 increase over the next couple of years.

11 28. In August 2003, Investor B received a Subscription Agreement for Bright Star.

12 29. Vincent and Ragucci continued to contact Investor B about investing in Bright Star.

13 30. Neither Ragucci nor Vincent discussed the risks involved with Investor B.

14 31. In December 2003, Investor B sent Bright Star a signed Subscription Agreement and
15 check for \$10,000 to purchase a Participant Interest in Bright Star.

16 32. Investor B made several unsuccessful attempts to contact Bright Star. Investor B has not
17 received any return on his investment.

18 19 **MISREPRESENTATIONS AND OMISSIONS**

20 1. Respondents' statements regarding the profitability and safety of the investment in the
21 drilling project were misleading because Respondents failed to disclose material information
22 including, but not limited to, the drilling track record of Bright Star and Ragucci; the type of
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1 interest Respondents held in the drill site; the expiration of the drilling assignment; the use of
2 the investment proceeds; the compensation to be received by Bright Star, Ragucci, or Vincent;
3 the experience in raising investment funds of Ragucci and Vincent; the operating results of prior
4 drilling programs for Bright Star Energy, Inc., Bright Star, or Ragucci; the permit or well
5 numbers for the project; the financial statements; and other prospectus information.

6 2. Respondents' statements that if one of the wells did not produce as expected the investors
7 would receive an interest in the next well drilled by the company were misleading because
8 Respondents failed to provide material information necessary to evaluate the statement
9 including, but not limited to, the identity of the guarantor, evidence of other drilling sites owned
10 by the guarantor, a track record of the guarantor, the existence or nonexistence of a written
11 guarantee, or financial statements or other evidence of the financial condition of the guarantor.

12 3. The Operating Agreement and the Subscription Agreement were misleading because
13 Respondents failed either to disclose or update material information including, but not limited to,
14 the interest Bright Star had in the drill site was limited to a nine month assignment that expired
15 before either Investor A or B invested in the drilling program.

17 **REGISTRATION STATUS**

18 1. Bright Star Energy Project #1, L.L.C. is not registered as a broker-dealer in the State of
19 Washington and has not previously been so registered.

20 2. The 1% participant interests are not registered as securities in the State of Washington
21 and have not previously been so registered.

1 3. Peter Ragucci is not registered as a securities salesperson or broker-dealer in the State of
2 Washington and has not previously been so registered.

3 4. Don Vincent is not registered as a securities salesperson or broker-dealer in the State of
4 Washington and has not previously been so registered.

5
6 **CONCLUSIONS OF LAW**

7 1. The 1% participant interests described above are securities as defined in RCW
8 21.20.005(12).

9 2. The offer or sale of the 1% participant interests described above constitutes the offer or
10 sale of a security as defined in RCW 21.20.005(10).

11 3. Respondents, Peter Ragucci and Don Vincent, acted as securities salespersons or broker-
12 dealers as defined in RCW 21.20.005(2) and (3).

13 4. Respondent, Bright Star Energy Project #1, L.L.C., acted as a securities broker-dealer as
14 defined in RCW 21.20.005 (3).

15 5. Respondents, Bright Star Energy, Inc.; Bright Star Energy Project #1, L.L.C.; Peter
16 Ragucci; and Don Vincent, have violated RCW 21.20.140 by offering or selling an unregistered
17 security.

18 6. Respondents, Peter Ragucci and Don Vincent, have violated RCW 21.20.040 by offering
19 and/or selling said securities while not registered as securities salespersons or broker-dealers in
20 the State of Washington.

21 7. The offer and/or sale of said securities was made in violation of RCW 21.20.010 because,
22 as set forth above, Respondents, Bright Star Energy, Inc.; Bright Star Energy Project #1, L.L.C.;

1 Peter Ragucci; and Don Vincent, in connection with the offer and sale of a security, made untrue
2 statements of material fact or omitted to state material facts necessary in order to make the
3 statements made, in light of the circumstances under which they were made, not misleading.
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5 **NOTICE OF INTENT TO ORDER THE RESPONDENT TO CEASE AND DESIST**

6 Pursuant to RCW 21.20.390, and based on the above Tentative Findings of Fact and
7 Conclusions of Law, the Securities Administrator intends to order that Bright Star Energy, Inc.;
8 Bright Star Energy Project #1, L.L.C.; Peter Ragucci; and Don Vincent; their agents and
9 employees each cease and desist from violations of RCW 21.20.010, RCW 21.20.040, and RCW
10 21.20.140.

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12 **NOTICE OF INTENT TO DENY REGISTRATION**

13 Pursuant to RCW 21.20.110(1), and based upon the above Tentative Findings of Fact
14 and Conclusions of Law, the Securities Administrator intends to order that Respondents, Peter
15 Ragucci and Don Vincent, shall be denied registration as a securities salesperson, broker-
16 dealer, investment adviser, or investment adviser representative in the State of Washington for
17 a period of ten (10) years.

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19 **NOTICE OF INTENT TO IMPOSE FINES AND COSTS**

20 Pursuant to RCW 21.20.110(1) and RCW 21.20.395, and based upon the Tentative
21 Findings of Fact and Conclusions of Law, the Securities Administrator intends to order that:
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1 a. Respondent, Bright Star Energy, Inc., shall be liable for and pay the Securities Division
2 (1) a fine of \$10,000, provided that the fine will be reduced proportionately by amounts paid to
3 Investors A and B and (2) the costs, fees, and other expenses incurred in the conduct of
4 investigating this matter in an amount not less than \$2,000.

5 b. Respondent, Bright Star Energy Project #1, L.L.C., shall be liable for and pay the
6 Securities Division (1) a fine of \$10,000, provided that the fine will be reduced proportionately
7 by amounts paid to Investors A and B and (2) the costs, fees, and other expenses incurred in the
8 conduct of investigating this matter in an amount not less than \$2,000.

9 c. Respondent, Peter Ragucci, shall be liable for and pay the Securities Division (1) a fine
10 of \$10,000, provided that, the fine will be reduced proportionately by amounts paid to Investors
11 A and B and (2) the costs, fees, and other expenses incurred in the conduct of investigating this
12 matter in an amount not less than \$2,000.

13 d. Respondent, Don Vincent, shall be liable for and pay the Securities Division (1) a fine
14 of \$10,000, provided that the fine will be reduced proportionately by amounts paid to Investors
15 A and B and (2) the costs, fees, and other expenses incurred in the conduct of investigating this
16 matter in an amount not less than \$2,000.

17 18 **AUTHORITY AND PROCEDURE**

19 This Statement of Charges and Notice of Intent to Enter Order to Cease and Desist, Deny
20 Registration, and To Impose Fines and Costs is entered pursuant to the provisions of RCW
21 21.20.390, RCW 21.20.395, and RCW 21.20.110 and is subject to the provisions of RCW 34.05,
22 RCW 21.20.390, RCW 21.20.395, and RCW 21.20.120. The Respondents, Bright Star Energy,
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1 Inc.; Bright Star Energy Project #1, L.L.C.; Peter Ragucci; and Don Vincent, may each make a
2 written request for a hearing as set forth in the NOTICE OF OPPORTUNITY TO DEFEND
3 AND OPPORTUNITY FOR HEARING accompanying this order.

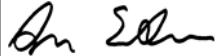
4 If a respondent does not request a hearing, the Securities Administrator intends to adopt
5 the above Tentative Findings of Fact and Conclusions of Law as final and enter an order to cease
6 and desist and impose the fines and the costs and other relief sought in this order as to that
7 respondent.

8 Dated and Entered this 6th day of March, 2006.

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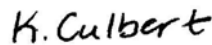
11 MICHAEL E. STEVENSON
12 Securities Administrator

13 Approved by:

14 

15 Suzanne Sarason
16 Chief of Compliance

Presented by:

17 

18 Kristen Culbert
19 Financial Legal Examiner