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**STATE OF WASHINGTON  
DEPARTMENT OF FINANCIAL INSTITUTIONS  
SECURITIES DIVISION**

IN THE MATTER OF DETERMINING  
whether there has been a violation of the  
Securities Act of Washington by:

CAROL DEE AUBREY; PROGRESSIVE  
ENERGY PARTNERS LLC; PROGRESSIVE  
ENERGY PARTNERS LLC #1;  
PROGRESSIVE ENERGY PARTNERS LLC  
#2; PROGRESSIVE ENERGY PARTNERS  
LLC #3; PROGRESSIVE ENERGY  
PARTNERS LLC #4,

Respondents.

Order Number S-06-230-09-SC01

STATEMENT OF CHARGES AND NOTICE  
OF INTENT TO ENTER AN ORDER TO  
CEASE AND DESIST, IMPOSE FINES, AND  
RECOVER COSTS

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THE STATE OF WASHINGTON TO:

Carol Dee Aubrey  
Progressive Energy Partners LLC  
Progressive Energy Partners LLC #1  
Progressive Energy Partners LLC #2  
Progressive Energy Partners LLC #3  
Progressive Energy Partners LLC #4

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**STATEMENT OF CHARGES**

Please take notice that the Securities Administrator of the State of Washington has reason to believe that the Respondents Carol Dee Aubrey; Progressive Energy Partners LLC; Progressive Energy Partners LLC #1; Progressive Energy Partners LLC #2; Progressive Energy Partners LLC #3; and Progressive Energy Partners LLC #4, have violated the Securities Act of Washington and that their violations justify the entry of an order of the Securities Administrator pursuant to RCW 21.20.390 against each to cease and desist from such violations, to impose fines pursuant to RCW 21.20.395, and to charge costs pursuant to RCW 21.20.390(5). The Securities Administrator finds as follows:

1 **TENTATIVE FINDINGS OF FACT**

2 Respondents

3 1. Carol Dee Aubrey (“Aubrey”) is a person believed to be a resident of Santa Ana,  
4 California. Aubrey is the manager of Progressive Energy Partners LLC. In addition, Aubrey (or Carol  
5 Dee Anbrey) is listed as the manager of Progressive Energy Partners LLC #1, Progressive Energy  
6 Partners LLC #2, Progressive Energy Partners LLC #3, and Progressive Energy Partners LLC #4 in  
7 documents filed with the Nevada Secretary of State.

8 2. Progressive Energy Partners LLC (“Progressive Energy”) is a Nevada limited liability  
9 company that was formed on June 16, 2005. Its principal place of business is located at 2060 Placentia  
10 Ave, Suite A5, Costa Mesa, California 92627. Progressive Energy Partners LLC procures, develops, and  
11 operates oil and gas producing entities. Progressive Energy Partners LLC acts as the manager of  
12 Progressive Energy Partners LLC #1, Progressive Energy Partners LLC #2, Progressive Energy Partners  
13 LLC #3, and Progressive Energy Partners LLC #4.

14 3. Progressive Energy Partners LLC #1 is a Nevada limited liability company that was formed  
15 on July 29, 2005. Its principal place of business is located at 2060 Placentia Ave, Suite A5, Costa Mesa,  
16 California 92627.

17 4. Progressive Energy Partners LLC #2 is a Nevada limited liability company that was formed  
18 on September 20, 2006. Its principal place of business is located at 2060 Placentia Ave, Suite A5, Costa  
19 Mesa, California 92627.

20 5. Progressive Energy Partners LLC #3 is a Nevada limited liability company that was formed  
21 on March 7, 2007. Its principal place of business is located at 2060 Placentia Ave, Suite A5, Costa  
22 Mesa, California 92627.

1 6. Progressive Energy Partners LLC #4 is a Nevada limited liability company that was formed  
2 August 30, 2007. Its principal place of business is located at 2060 Placentia Ave, Suite A5, Costa Mesa,  
3 California 92627.

4 Sales in Washington

5 7. Between 2005 and 2008, Progressive Energy Partners LLC (“Progressive Energy”) offered  
6 and sold at least \$1,356,250 in investments to at least 22 Washington residents. The investments were in  
7 the form of LLC units in four limited liability companies created and managed by Progressive Energy for  
8 the purpose of developing oil and gas wells. The units were offered for \$25,000 each. Progressive Energy  
9 offered and sold more than \$9 million in investments nationwide.

10 8. Progressive Energy Partners LLC #1 (“PEP #1”) was a \$900,000 offering of 36 units, with an  
11 option to extend the offering by 6 additional units for a maximum offering of \$1,050,000. The purpose of  
12 the offering was to develop four existing oil and gas wells and drill one new well on land located in West  
13 Virginia. Between October 2005 and August 2006, six Washington residents purchased \$106,250 in LLC  
14 units in PEP #1.

15 9. Progressive Energy Partners LLC #2 (“PEP #2”) was a \$1,500,000 offering of 60 units, with  
16 an option to extend the offering by 10 more units for a maximum offering of \$1,750,000. The offering  
17 raised funds to develop eight existing oil and gas wells in West Virginia. Between October 2006 and March  
18 2007, ten Washington residents purchased \$206,250 in LLC units in PEP #2.

19 10. Progressive Energy Partners LLC #3 (“PEP #3”) was a \$2,000,000 offering of 80 units, with  
20 an option to extend the offering by 8 units to a maximum offering of \$2,200,000. The purpose of the  
21 offering to develop twelve existing oil and gas wells in West Virginia. Between April 2007 and August  
22 2007, seven Washington residents purchased \$87,500 in LLC units in PEP #3.

1 11. Progressive Energy Partners LLC #4 (“PEP #4) was a \$1,800,000 offering of 72 units, with an  
2 option to extend the offering by 8 additional units for a maximum offering of \$2,000,000. The offering  
3 raised funds to develop two oil and gas wells in West Virginia. Between October 2007 and June 2008,  
4 fifteen Washington residents purchased \$556,250 in LLC units in PEP #4.

5 Nature of the Offering

6 12. Progressive Energy solicited sales of LLC units in PEP #1, PEP #2, PEP #3, and PEP #4  
7 through cold calling. Progressive Energy cold called at least 8 Washington residents who had no prior  
8 relationship with Progressive Energy.

9 13. Progressive Energy sent packets of information to Washington residents who expressed  
10 interest in one of the offerings. The packet contained a private placement memorandum for the offering, a  
11 purchaser questionnaire, a subscription agreement, and a limited liability company agreement. In addition,  
12 the packet contained a glossy brochure for Progressive Energy Partners LLC with an insert that contained  
13 investment performance projections.

14 14. In its brochure, Progressive Energy Partners LLC provided a list of “Reasons to Invest in Oil  
15 and Gas.” These reasons included “Potential High Financial Rewards,” under which the brochure listed  
16 “Return of Capital in as little as 12 to 24 months,” “Better than 10 to 1 Potential Return on Investment,” and  
17 “Greater than 50% Annual Rate of Return.” The brochure stated that Progressive Energy would reduce or  
18 eliminate the risk of investing in oil and gas by focusing on existing fields and utilizing technologies that  
19 were not available 10 years ago.

20 15. An insert in the brochure contained the projected distributions for each offering. For instance,  
21 the PEP#1 offering insert projected that a one unit investment of \$25,000 would produce over \$112,000 in  
22 accumulative distributions within five years. The insert projected that in the first year, the investor would

1 receive \$2,345 in distribution per unit per month. In addition to these written representations, sales  
2 representatives made earnings projections during cold calls to Washington residents.

3 16. In the private placement memoranda for PEP #1, PEP #2, PEP #3, and PEP #4, Progressive  
4 Energy purported to rely on exemptions from registration under Regulation D or Section 4(2).  
5 Progressive Energy further represented in the private placement memoranda that the “offer is strictly  
6 limited to accredited investors.” Accredited investors are investors with a net worth (excluding the value  
7 of a primary residence) of \$1,000,000 or more, or an annual income exceeding \$200,000 for two or more  
8 consecutive years.

9 17. Though Progressive Energy purported to rely on Regulation D, Progressive Energy did not  
10 file a Form D with the U.S. Securities and Exchange Commission for any of the offerings, nor make a  
11 notice filing with the Securities Administrator in Washington State within 15 days of the first sale in  
12 Washington.

13 18. To qualify for an exemption from registration in Washington, under Regulation D or  
14 otherwise, a securities offering may not be conducted through general solicitation, and may sell only to  
15 accredited and/or sophisticated investors. Progressive Energy used cold calls, a form of general  
16 solicitation, to locate investors in Washington. In addition, Progressive Energy sold securities to  
17 investors who were not accredited or sophisticated.

### 18 Representative Sales

#### 19 *Investor A*

20 19. In October 2006, Investor A, a Washington resident, received an unsolicited call from Jon  
21 Davis (“Davis”). Investor A did not know Davis or have any prior relationship with him. Davis wanted to  
22 discuss an oil and gas investment opportunity in PEP #2. Investor A was not experienced in oil and gas

1 investments and his only investments were in US Treasury Bonds. During this conversation, Davis told  
2 Investor A that PEP #1 was doing well and that PEP #2 would likely produce similar results. Davis told  
3 Investor A that there was a low risk to the investment and Investor A could make “tons” of money. Davis  
4 told Investor A that he could expect checks of around \$1,100 per month.

5 20. Investor A received a large packet in the mail from Progressive Energy. The packet included  
6 income projections for the investment and a purchaser questionnaire that asked about Investor A’s annual  
7 income and Investor A’s net worth. The revenue projections chart stated that Investor A could earn up to  
8 \$2,614.74 per month for the first year.

9 21. The packet contained a purchaser questionnaire which all potential investors needed to  
10 complete in order to determine if they were eligible to participate in the offering. The questionnaire  
11 required potential investors to supply information on their net worth, annual income, and investment  
12 experience, and to indicate how they qualified as an accredited investor.

13 22. Investor A did not make \$200,000 annually or have a net worth over \$1,000,000. In a follow  
14 up call, Davis told Investor A that it did not matter whether he was an accredited investor; he would still be  
15 able to invest in PEP #2. Based on this information, Investor A did not complete or return the purchaser  
16 questionnaire.

17 23. Investor A invested in one unit of PEP #2 for \$25,000 in October 2006. His investment was  
18 accepted even though he did not return the purchaser questionnaire. Investor A’s main reasons for investing  
19 were the revenue projections for the investment and the reported success of PEP #1. Investor A financed  
20 the investment by taking out a \$25,000 line of credit on his home.

21 24. Investor A received his first dividend check in late 2007. He received checks every month  
22 until the checks stopped in January 2009. The first few checks were the largest, with the largest check being

1 \$384. However, the last check was for only \$84. Investor A has received a total return of approximately  
2 \$3,600. This amount fell far short of the projected return on Investor A's investment.

3 *Investor B*

4 25. In early 2008, Investor B received a cold call from a Progressive Energy representative named  
5 Bill. Bill offered Investor B an oil and gas investment opportunity in PEP #4. During the phone  
6 conversation, Bill told Investor B that investing in oil and natural gas was much better than investing in the  
7 stock market. Bill told Investor B that she would receive monthly dividend checks around \$400 to \$500  
8 dollars. Investor B had no prior experience in investing in oil and gas.

9 26. After this initial conversation, Investor B received a private placement memorandum, revenue  
10 projections, and a purchaser questionnaire in the mail from Progressive Energy. Investor B was concerned  
11 that her family did not have a high enough net worth or make enough money during a given year to  
12 satisfy the investment requirements outlined in the purchaser questionnaire. She called Progressive  
13 Energy regarding this and was told that there was a way around the questionnaire and that she would still  
14 be able to invest. Based on this information, Investor B did not return the purchaser questionnaire.

15 27. Investor B and her husband decided to invest \$25,000 in PEP #4 in April 2008. Investor B  
16 made the decision to invest based upon the projections made in the phone conversations and in writing,  
17 as well the high prices in the oil and natural gas market at the time. In order to make the investment,  
18 Investor B borrowed \$25,000 from a line of credit she had with a bank.

19 28. After the investment, dividend checks arrived less frequently than Investor B expected and  
20 were far below the amounts that were projected. She received her first check in October 2008 for either  
21 \$160 or \$180. This was the largest check she received; subsequent checks were for as little as \$25.

1 29. Progressive Energy is currently not issuing dividend checks. Progressive Energy has  
2 purportedly shut down operations in response to the current market prices for oil and natural gas.  
3 Progressive Energy has represented to Investor B that it is repairing and updating its drilling equipment  
4 for future use.

5 30. In addition to Investor A and Investor B, at least three additional Washington investors who  
6 were not accredited or sophisticated received unsolicited cold calls from Progressive Energy and were  
7 permitted to invest. In each case, the Washington resident was not experienced with investing in oil and  
8 gas.

9 31. Progressive Energy maintained questionnaires on file for only 15 out of 22 Washington  
10 investors. Progressive Energy representatives told at least three Washington investors that they did not need  
11 to return the purchaser questionnaire form. At least four investors without questionnaires on file were not  
12 accredited or sophisticated investors. In addition, at least two investors who returned questionnaires appear  
13 from their answers to be neither accredited nor sophisticated.

14 Other Actions

15 32. On January 12, 2007, the South Dakota Department of Revenue and Regulation, Division  
16 of Securities, issued a Cease and Desist Order against PEP as a result of the offer of unregistered  
17 securities in a similar oil and gas project.

18 33. On April 18, 2008 Pennsylvania Securities Commission issued a Summary Order to Cease  
19 and Desist against Progressive Energy Partners, LLC #4 and Progressive Energy Partners, LLC.  
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Misrepresentations and Omissions

34. Progressive Energy failed to provide material information regarding PEP #1, PEP #2, PEP #3, and PEP #4 in the private placement memoranda, including but not limited to the names and backgrounds of those who were managing the LLCs and the specific risk factors related to oil and gas investments.

35. Progressive Energy failed to maintain or provide financial statements for Progressive Energy LLC, PEP #1, PEP #2, PEP #3 and PEP #4. The private placement memoranda for PEP #2, PEP #3 and PEP #4 indicated that manager Progressive Energy did not have financial statements because it was a new company. These statements were false or misleading because at the time of these offerings, Progressive Energy had been in business as an LLC manager and had conducted the PEP #1 offering.

36. Progressive Energy failed to provide a reasonable basis for the projections of returns made to investors and potential investors.

37. Progressive Energy failed to disclose to Washington investors who purchased LLC units after January 12, 2007 that two cease and desist orders had been issued against Progressive Energy and its related LLCs.

38. Progressive Energy sold more LLC units than the maximum offering amounts stated in the offering memoranda for PEP #1, PEP #2, PEP #3, and PEP #4. Progressive Energy sold \$1,250,000 in units for PEP #1, despite a stated maximum offering amount of \$1,050,000. Progressive Energy sold \$1,887,500 in units in PEP #2, despite a stated maximum offering amount of \$1,750,000. Progressive Energy sold \$2,775,000 units in PEP #3, despite a stated maximum offering amount of \$2,200,000. Finally, Progressive Energy sold \$3,275,000 units in PEP #4, despite a stated maximum offering amount of \$2,000,000. Progressive Energy Partners failed to disclose to investors that their interests could become diluted.

1 Registration Status

2 39. Progressive Energy Partners LLC #1 is not currently registered to sell its securities in the state  
3 of Washington and has not previously been so registered. In addition, there is no notice of a claim of  
4 exemption on file with the Securities Administrator.

5 40. Progressive Energy Partners LLC #2 is not currently registered to sell its securities in the state  
6 of Washington and has not previously been so registered. In addition, there is no notice of a claim of  
7 exemption on file with the Securities Administrator.

8 41. Progressive Energy Partners LLC #3 is not currently registered to sell its securities in the state  
9 of Washington and has not previously been so registered. In addition, there is no notice of a claim of  
10 exemption on file with the Securities Administrator.

11 42. Progressive Energy Partners LLC #4 is not currently registered to sell its securities in the state  
12 of Washington and has not previously been so registered. In addition, there is no notice of a claim of  
13 exemption on file with the Securities Administrator.

14 43. Progressive Energy Partners LLC is not registered as a broker-dealer in the state of  
15 Washington, and has not previously been so registered.

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17 Based upon the above Tentative Findings of Fact, the following Conclusions of Law are made:

18 **CONCLUSIONS OF LAW**

19 1. The offer and/or sale of LLC units in Progressive Energy Partners LLC #1, Progressive  
20 Energy Partners LLC #2, Progressive Energy Partners LLC #3, and Progressive Energy Partners LLC #4  
21 each constitutes the offer or sale of a security as defined in RCW 21.20.005(10) and (12).  
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1           2.       The offer and/or sale of said securities violated RCW 21.20.140, the securities registration  
2 provision of the Securities Act, because the Progressive Energy Partners LLC #1, Progressive Energy  
3 Partners LLC #2, Progressive Energy Partners LLC #3, and Progressive Energy Partners LLC #4  
4 offerings were not registered in the State of Washington.

5           3.       The offer and/or sale of said securities was made in violation of RCW 21.20.040, the  
6 provision of the Securities Act which requires registration of securities salespersons and broker-dealers,  
7 because Progressive Energy Partners LLC sold securities while not registered as a securities salesperson  
8 or broker-dealer in the State of Washington.

9           4.       The offer and/or sale of said securities was made in violation of RCW 21.20.010, the anti-  
10 fraud provision of the Securities Act, because Respondents Carol Dee Aubrey, Progressive Energy  
11 Partners LLC, Progressive Energy Partners LLC #1, Progressive Energy Partners LLC #2, Progressive  
12 Energy Partners LLC #3, and Progressive Energy Partners LLC #4, in connection with the offer or sale  
13 of said securities directly or indirectly made untrue statements of material fact or omitted to state  
14 material facts necessary in order to make the statements made, in light of the circumstances under which  
15 they were made, not misleading.

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17                   **NOTICE OF INTENT TO ORDER THE RESPONDENT TO CEASE AND DESIST**

18 Pursuant to RCW 21.20.390(1), and based on the above Tentative Findings of Fact and Conclusions of  
19 Law, the Securities Administrator intends to order that Carol Dee Aubrey, Progressive Energy Partners  
20 LLC, Progressive Energy Partners LLC #1, Progressive Energy Partners LLC #2, Progressive Energy  
21 Partners LLC #3, and Progressive Energy Partners LLC #4, and their agents and employees, each shall  
22 cease and desist from violations of RCW 21.20.140, RCW 21.20.040, and RCW 21.20.010.

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2 **NOTICE OF INTENT TO IMPOSE FINES**

3 Pursuant to RCW 21.20.395 and based upon the above Tentative Findings of Fact and Conclusions of  
4 Law, the Securities Administrator intends to order that the Respondents Carol Dee Aubrey, Progressive  
5 Energy Partners LLC, Progressive Energy Partners LLC #1, Progressive Energy Partners LLC #2,  
6 Progressive Energy Partners LLC #3, and Progressive Energy Partners LLC #4 shall each pay a fine of  
7 \$10,000 dollars.

8

9 **NOTICE OF INTENT TO RECOVER COSTS**

10 Pursuant to RCW 21.20.390(5), and based upon the Tentative Findings of Fact and Conclusions of Law,  
11 the Securities Administrator intends to order that the Respondents Carol Dee Aubrey, Progressive  
12 Energy Partners LLC, Progressive Energy Partners LLC #1, Progressive Energy Partners LLC #2,  
13 Progressive Energy Partners LLC #3, and Progressive Energy Partners LLC #4 shall be jointly liable for  
14 and pay the Securities Division the costs, fees, and other expenses incurred in the conduct of the  
15 administrative investigation and hearing of this matter of not less than \$2,000.

16

17 **AUTHORITY AND PROCEDURE**

18 This Statement of Charges is entered pursuant to the provisions of RCW 21.20.390 and RCW 21.20.395  
19 and is subject to the provisions of Chapter 34.05 RCW. The Respondents may each make a written  
20 request for a hearing as set forth in the NOTICE OF OPPORTUNITY TO DEFEND AND  
21 OPPORTUNITY FOR HEARING accompanying this Statement of Charges. If a Respondent does not  
22 request a hearing, the Securities Administrator intends to adopt the foregoing Tentative Findings of Fact

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and Conclusions of Law as final, enter a permanent cease and desist order as to that Respondent, and impose the fines and costs sought.

DATED and ENTERED this 2nd day of October, 2009.

*Michael E. Stevenson*

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MICHAEL E. STEVENSON  
Securities Administrator

Approved by:

*Suzanne Sarason*

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SUZANNE SARASON  
Chief of Enforcement

Presented by:

*Jill M. Valley*

\_\_\_\_\_  
JILL M. VALLELY  
Enforcement Attorney