

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

IN THE MATTER OF DETERMINING) Order No. S-14-1527-14-SC01
 Whether there has been a violation of the)
 Securities Act of Washington by:) STATEMENT OF CHARGES AND NOTICE OF
) INTENT TO ENTER ORDER TO CEASE AND
 Synergy Oil, LLC;) DESIST, TO IMPOSE FINES, AND TO CHARGE
 Robert Falco;) COSTS
 Anthony B. Pistilli,)
)
 Respondents.)

THE STATE OF WASHINGTON TO: Synergy Oil, LLC
 Robert Falco
 Anthony B. Pistilli

STATEMENT OF CHARGES

Please take notice that the Securities Administrator of the State of Washington has reason to believe that Respondents Synergy Oil, LLC, Robert Falco, and Anthony B. Pistilli have each violated the Securities Act of Washington. These violations justify the entry of an order of the Securities Administrator against each respondent to cease and desist and to charge costs under RCW 21.20.390, and to impose fines pursuant to RCW 21.20.395. The Securities Administrator finds as follow:

TENTATIVE FINDINGS OF FACT

Respondents

1. Synergy Oil, LLC (“Synergy”) is an Oklahoma limited liability company formed in 2009, with its principle place of business in Newport Beach, California. According to Synergy’s private placement memorandum (“PPM”), Synergy was organized to raise funds for investment in emerging leaders in the oil and gas exploration and development industry.

2. Robert Falco (“Falco”) is a resident of California and is the President and a salesperson of Synergy Oil, LLC.

1 3. Anthony “Tony” B. Pistilli (“Pistilli”) is a California resident and a Manager and salesperson of
2 Synergy Oil, LLC. In 1997, Pistilli was convicted of conspiracy to commit wire fraud and mail fraud. In
3 1998, Pistilli pled guilty to mail fraud charges.

4 Related Entity

5 4. Big Oil, LLC (“Big Oil”) is an Oklahoma limited liability company. Big Oil was formed on or
6 around March 31, 2011 by Falco to act as Synergy’s “operating company.”

7 Other Securities Enforcement Actions

8 5. On March 17, 2011 the State of California entered a Desist and Refrain Order against Synergy,
9 Falco, and Pistilli. The Order alleged that Synergy, Falco, and Pistilli each violated the California
10 Corporations Code in connection with the sale of securities related to Synergy and ordered each to desist
11 and refrain from selling securities in violation of the California securities laws.

12 6. On November 27, 2012, the State of California filed a civil action against Synergy Oil, LLC and
13 Robert Falco in the Orange County Superior Court for additional securities violations. On June 24, 2014,
14 the State of California obtained a judgment against Synergy and Falco, and the court ordered civil penalties
15 of \$6,625,000 and restitution to investors of \$13,775,047.86.

16 Nature of the Offering

17 7. Between August 2010 and February 2012, Synergy offered and sold over \$11 million worth of oil
18 and gas related investments to over two hundred investors in more than thirty states. Synergy raised
19 approximately \$642,475 from approximately a dozen Washington residents.

20 8. Synergy and its salespersons sold these investments through unsolicited phone calls. In some
21 instances, investors were solicited multiple times by different representatives. Falco and Pistilli each made
22 at least one call to a Washington resident to solicit investments in Synergy. Synergy sales representatives
23 orally represented to potential investors that there would be a large return on investment and that the
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1 offerees should invest as soon as possible. A Synergy sales representative encouraged at least one
2 Washington resident to visit the websites oilandgasreturns.com and synergyoil.com. This representative
3 also represented that Synergy had forty-one working wells.

4 9. Prior to investing, at least one Washington investor received Synergy's private placement
5 memorandum ("PPM") dated August 15, 2010 for an offering of up to \$26,384,737 worth of "Units of Oil
6 and Gas Investment Fund Units." The PPM also identified these units as "Working Interests in Existing and
7 Proposed Oil and Gas Projects." The PPM provided a per-unit value and minimum purchase amount of
8 \$100,000. The Washington investor also received separate subscription agreements for each of his three
9 investments. The subscription agreement referred to the investments as "units of working interests."

10 10. According to the PPM, the offering was limited to accredited investors as defined in Rule 501 of
11 Regulation D. At least one Washington resident was not an accredited investor at the time of his
12 investment. Moreover, this non-accredited investor had no prior experience investing in oil and gas
13 ventures. The PPM provided a forecast of how Synergy would use the offering's proceeds. Synergy
14 anticipated that, aside from a negligible allocation for miscellaneous expenses, all investor funds would be
15 applied to Synergy's stated business.
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17 11. At least one Washington resident received a promotional brochure that contained a project overview
18 and various reasons for investing with Synergy, which included "monthly cash flow through revenue
19 sharing," tax benefits, and experienced management. The promotional brochure contained a number of
20 misleading profit projections. Among other representations, the brochure claimed that it was typical for
21 Synergy investors to earn returns ranging from 300 to 500%, with some projects yielding returns of 1500%
22 to 2000%, subject only to the price of oil. The brochure failed to disclose the basis for these profit
23 projections, and the assumptions underlying such projections. The only disclaimer accompanying this
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1 projection was that it was based on anticipated production. The brochure further represented that “[h]ighly
2 experienced operators and low overhead operations” greatly reduced the risk of loss.

3 12. One Washington resident received an informational packet that described an existing lease in which
4 Synergy had acquired an interest. The packet claimed that the then-existing wells included in the lease could
5 produce two hundred barrels of oil each day. The packet also claimed that there were other sites on the lease
6 capable of similar production. At least one Washington investor received no documents prior to investing.

7 13. Washington investors paid by wire transfer or checks made payable to Synergy Oil, LLC. After
8 making their investments, Washington investors received periodic updates from Synergy regarding the
9 status of the company and its oil and gas ventures, but did not receive any formal evidence of their
10 ownership in any oil or gas rights or fraction thereof. At least one investor also received six checks totaling
11 about \$2,700 as return on investment, from Big Oil. Synergy failed to disclose material information to
12 investors concerning Big Oil, LLC’s relationship with Synergy, and other material information about Big
13 Oil, including but not limited to, its key personnel.

14 14. In the offer and sale of the investments described above, the Respondents failed to disclose Pistilli’s
15 prior criminal convictions.

16 Registration Status

17 15. On October 16, 2009, Synergy Oil, LLC, filed with the Securities Division a claim of exemption
18 from registration under Regulation D, Rule 506. Pursuant to WAC 406-44A-506, Respondents were
19 required to comply with the conditions of Regulation D. At the time of the offerings, Regulation D, Rule
20 506 prohibited an issuer or any person acting on behalf of an issuer from offering or selling securities by
21 any form of general solicitation. Synergy and their agents offered and sold investments by cold-calling
22 prospective investors, which violated the general solicitation prohibitions of Regulation D, Rule 506.
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1 16. Robert Falco and Anthony B. Pistilli are not currently registered as securities salespersons or broker-
2 dealers in the State of Washington and have not previously been so registered.

3 **CONCLUSIONS OF LAW**

4 1. The offer or sale of the investments described above constitutes the offer or sale of a security as
5 defined at RCW 21.20.005(14) and (17).

6 2. The unsolicited phone calls discussed above violate the prohibition of general solicitation and
7 general advertising of Regulation D, Rule 502(c). Therefore, Respondents failed to meet the requirements
8 to claim the exemption available under Rule 506 of the Securities Act of 1933 and WAC 460-44A-506.

9 3. The offer or sale of said securities are in violation of RCW 21.20.140 because no registration for
10 such offer or sale is on file with the Securities Administrator and no valid claim of exemption under WAC
11 460-44A-506 exists.

12 4. Synergy Oil, LLC, Robert Falco and Anthony B. Pistilli have each violated RCW 21.20.040 by
13 offering or selling said securities while not registered as securities salespersons or broker-dealers in the
14 State of Washington.

15 5. Synergy Oil, LLC, Robert Falco and Anthony B. Pistilli violated RCW 21.20.010 because, as set
16 forth above, in connection with the offer or sale of securities, each made misstatements of material facts or
17 omitted to state material facts.

18 **NOTICE OF INTENT TO ORDER THE RESPONDENTS TO CEASE AND DESIST**

19 Based on the above Tentative Findings of Fact and Conclusions of Law, the Securities Administrator
20 intends to order, pursuant to RCW 21.20.390(1), that Synergy Oil, LLC, Robert Falco, and Anthony B.
21 Pistilli, and their agents and employees each cease and desist from violations of RCW 21.20.010, RCW
22 21.20.040, and RCW 21.20.140.
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NOTICE OF INTENT TO IMPOSE FINES

Pursuant to RCW 21.20.395, and based upon the Tentative Findings of Fact and Conclusions of Law, the Securities Administrator intends to order that Synergy Oil, LLC shall be liable for and pay a fine of \$20,000.

Pursuant to RCW 21.20.395, and based upon the Tentative Findings of Fact and Conclusions of Law, the Securities Administrator intends to order that Anthony B. Pistilli shall be liable for and pay a fine of \$1,000.

Pursuant to RCW 21.20.395, and based upon the Tentative Findings of Fact and Conclusions of Law, the Securities Administrator intends to order that Robert Falco shall be liable for and pay a fine of \$1,000.

NOTICE OF INTENT TO CHARGE COSTS

Pursuant to RCW 21.20.390, and based upon the Tentative Findings of Fact and Conclusions of Law, the Securities Administrator intends to order that Robert Falco, and Anthony B. Pistilli shall be jointly and severally liable for and shall pay investigate costs of \$2,000.

AUTHORITY AND PROCEDURE

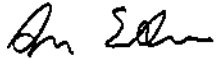
This Statement of Charges is entered pursuant to the provisions of Chapter 21.20 RCW and is subject to the provisions of Chapter 34.05 RCW. The respondents may each make a written request for a hearing as set forth in the NOTICE OF OPPORTUNITY TO DEFEND AND OPPORTUNITY FOR HEARING accompanying this Order. If a respondent does not make a hearing request in the time allowed, the Securities Administrator intends to adopt the above Tentative Findings of Fact and Conclusions of Law as final and to enter a permanent order to cease and desist as to that respondent, to impose any fines sought against that respondent, and to charge any costs sought against that respondent.

Signed and Entered this 11th day of December 2014.



William M. Beatty
Securities Administrator

Approved by:



Suzanne Sarason
Chief of Enforcement

Presented by:



Edward R. Thunen
Financial Legal Examiner

Reviewed by:



Robert Kondrat
Financial Legal Examiner Supervisor