

**STATE OF ILLINOIS
SECRETARY OF STATE
SECURITIES DEPARTMENT**

**IN THE MATTER OF: THREE STAR DRILLING
AND PRODUCING COMPANY and
SUNNY INVESTMENTS BROKERAGE FIRM
and their partners, members, officers
and directors, agents, employees, affiliates, successors
and assigns.**

File No. 1100353

**TO: Respondent Sunny Investments Brokerage Firm
8939 Sepulveda Blvd. – Suite 210
Los Angeles, CA 90045**

ORDER OF PROHIBITION AND FINE

On April 29, 2015, pursuant to Section 11.F of the Illinois Securities Law of 1953 [815 ILCS 5] (the “Act”) and 14 Ill. Adm. Code 130, subpart K, the Hearing Officer held a public hearing at 69 West Washington Street, Suite 1220, Chicago, Illinois 60602, to determine whether a permanent Order shall be entered prohibiting Respondent Sunny Investments Brokerage Firm (hereinafter “Sunny” at times) and its partners, members, officers, and directors, agents, employees, affiliates, successors and assigns,¹ from offering or selling securities in or from the State of Illinois and/or granting such other relief as may be authorized under the Act, including but not limited to, the imposition of a monetary fine.

WHEREAS, the rulings of the Hearing Officer on the admission of evidence and all motions are deemed to be proper and are hereby concurred with by the Secretary of State.

WHEREAS, the proposed Findings of Fact, Conclusions of Law and Recommendations of the Hearing Officer, James Kopecky, Esq., in the above-captioned matter have been read and examined.

I. Notice of Hearing

On December 4, 2014, the Illinois Securities Department issued a Notice of Hearing (“Notice of Hearing”) in this matter. The Department served the Notice of Hearing on Respondents by through the Secretary of State Index Department. The Notice of Hearing scheduled a hearing for February 4, 2015, at the office of the Department at 69 W. Washington, Suite 1220, in Chicago, Illinois. The Hearing was later continued to April 29, 2015.

¹ Respondent Three Star Drilling was dismissed from this matter on April 28, 2015, and, accordingly, did not take part in the hearing and is not a party to this Report and Recommendation.

II. The Hearing

The Hearing Officer called the hearing to order at approximately 10:10 am on April 29, 2015. A certified court reporter, Chery A. Goetsch from Jensen Litigation Solutions recorded the hearing. The Department retained the transcript and the original exhibits presented at the hearing. Accordingly, a full record of the proceedings is on file and this Report and Recommendation contains only, and is intended only to be, a summary.

Enforcement Attorney James Tierney appeared at the hearing on behalf of the Department. Respondent did not appear. Nobody appeared on behalf of the Respondent. In addition, the Respondent failed to submit an answer or other response to the Notice of Hearing.

After the Hearing Officer called the hearing to order, Enforcement Attorney Tierney brought a motion pursuant to Section 1104 of the Code requesting that the Hearing Officer recommend that the allegations contained in the Notice of Hearing be deemed admitted and that the Hearing Officer recommend that the Respondent be held in default for failing to file a timely answer, special appearance or other responsive pleading. At the same time, the Department also made a motion pursuant to Section 1109 of the Code requesting that the Hearing Officer recommend a finding of default and entry of an appropriate order against Respondent Sunny Investments Brokerage Firm for its failure to appear at the time and place scheduled for the hearing.

In support of its motions, the Department offered Secretary of State Exhibits 1, 2, and 3. The Hearing Officer admitted Exhibits 1, 2, and 3 into evidence and found that the exhibits established service of the Notice of Hearing upon the Respondents. The Exhibits are part of the record maintained by the Department. Exhibit 1 is the Notice of Hearing in this matter. Exhibit 2 contains documents demonstrating the Department's attempts to serve Respondent through certified mail and that the mail was not accepted. Exhibit 3 establishes service on Respondent through the Secretary of State Index Department.

Concluding that the Department served the Respondent, and that Respondent failed to appear at the hearing and failed to respond to the Notice of Hearing, the Hearing Officer granted the Department's motions under Sections 1104 and 1109 of the Code.

The Department then proceeded to prove-up the allegations in the Notice of Hearing. The Department called the following witnesses: Complaining Witness Dominic A. Riccordino, via telephone, and Investigator Richard Diaz. No summary of their testimony is provided as full transcripts are available for a reviewing court. The Hearing Officer found the witnesses credible, and the Hearing Officer did not base any finding of fact on the incredibility of a witness.

The Department admitted the following exhibits:

- Exhibit 4: A Secretary of State Certification stating that Sunny Investments Brokerage Firm was not registered to sell securities under Section 8 of the Illinois Securities Act. [815 ILCS 5/8]
- Exhibit 5: A Subscription and Customer Agreement for Sunny Investment Brokerage Firm's Siggins Phase 1/DAD Prospect Turnkey Drilling Program. The document is dated March 3, 2011 and signed by George Stephens as President of Sunny and Dominic Riccordino as an investor.
- Exhibit 6: A check to Sunny Investment Brokerage Firm for \$40,000, dated March 3, 2011 and signed by Dominic A. Riccordino.
- Exhibit 8: Sunny Investments Brokerage Firm's Response to Requests to Produce Documents 11.C letter, dated October 20, 2011, signed by the Firm's attorney Michael P. Tomlinson.

The Department closed the evidence, and Mr. Tierney gave a brief closing statement in which he summarized the violations of the Illinois Securities Laws committed by Respondent Sunny. The Department requested that a recommendation be made that a permanent order of prohibition be entered against Respondent Sunny and sought a fine of \$10,000 against Sunny.

III. Proposed Findings of Fact

Based on the evidence presented, the Hearing Officer finds that:

1. Respondent Sunny Investment Brokerage Firm at all times relevant herein had an address of 201 S. Christy Street, Sumner, Illinois 62466, and was offering for sale working interests ("Units") in an oil and gas drilling project called the Siggins Phase I prospect in Cumberland, Illinois ("Program").
2. Respondent Sunny at all times relevant herein had an address of 8939 S. Sepulveda Boulevard, Suite 210, Los Angeles, California, 90045, and was offering for sale the Units in the Program on behalf of Three Star Drilling.
3. Between the period of March 1, 2011 and May 31, 2011 at least one representative of Respondent cold-called at least one Illinois Resident ("Investor") and offered for sale Units in the Program at a price of \$40,000 per unit.
4. On March 22, 2011, the Investor purchased one Unit and paid Respondent Sunny \$40,000.

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5. On May 19, 2011 the Investor purchased another 1.75 Units and paid Respondent Sunny \$60,000.
6. Respondent Sunny never registered the working interests/Units with the Illinois Securities Department.

IV. Proposed Conclusions of Law

Based on the evidence presented and an application of the law to the findings of fact, the Hearing Officer concludes:

1. The Department properly served the Notice of Hearing on Respondents.
2. The Notice of Hearing included the information required under Section 1102 of the Code.
3. The Secretary of State has jurisdiction over the subject matter pursuant to the Act.
4. Because of Respondent Sunny's failure to file a timely answer, make a special appearance or other responsive pleading in accordance with Section 1104:
 - (a) the allegations contained in the Notice of Hearing are deemed admitted;
 - (b) Respondent Sunny waived its right to a hearing;
 - (c) Respondent Sunny is subject to an Order of Default.
5. Because Respondent Sunny failed to appear at the time and place set for hearing, in accordance with Section 1109, it:
 - (a) waived its right to present evidence, argue, object or cross-examine witnesses; or
 - (b) otherwise participate at the hearing.
6. That the activities described in the Findings of Fact above constitute the offer and sale of oil and gas working interests and are therefore a security as those terms are defined in Sections 2.1, 2.5, and 2.5a of the Illinois Securities Law of 1953 [815 ILCS 5] (the "Act").
7. That Section 5 of the Act provides, *inter alia*, that "all securities except those set forth under Section 2a of this Act... or those exempt... shall be registered... prior to their offer or sale in this State."

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8. Respondent Sunny failed to file an application with the Secretary of State to register the stock as required by the Act and as a result, the Notes were not registered pursuant to Section 5 of the Act prior to their offer or sale in the State of Illinois.
9. Section 12.A of the Act provides, *inter alia*, that it shall be a violation for any person to offer or sell any security except in accordance with the provisions of the Act.
10. Section 12.D of the Act provides, *inter alia*, that it shall be a violation for any person to “fail to file with the Secretary of State any application, report or document, required to be filed under the provisions of the Act or any rule or regulation made by the Secretary of State pursuant to the Act.”
11. By virtue of the foregoing Findings of Fact and Conclusions of Law Respondent Sunny violated Sections 12.A and 12.D of the Act.
12. “Dealer” means, *inter alia*, “any person who engages in this State in the business of offering, selling, buying and selling, or otherwise dealing or trading in securities issued by another person” as defined in Section 2.7 of the Illinois Securities Act of 1953 [815 ILCS 5] (“the “Act”).
13. The activities of Respondent Sunny Investment Brokerage Firm described in the paragraphs above constitute acting as a dealer in the State of Illinois.
14. Section 8.A of the Act provides, *inter alia*, that “except as otherwise provided in this subsection A, every dealer shall be registered with the Secretary of State.”
15. Respondent Sunny failed to file an application with the Secretary of State to register as a dealer as required by the Act, and as a result Respondent Sunny was not registered as such prior to acting as a dealer in the State of Illinois.
16. Section 12.C of the Act provides, *inter alia*, that it shall be a violation of the Act “for any person to act as a dealer unless registered as such, where such registration is required, under the provisions of this Act.”
17. Section 12.D of the Act provides, *inter alia*, that it shall be a violation for any person “to fail to file with the Secretary of State any application, report or document, required to be filed under the provisions of the Act or any rule or regulation made by the Secretary of State pursuant to the Act.”
18. By virtue of the foregoing Findings of Fact and Conclusions of Law, Respondent Sunny violated Sections 12.C and 12.D of the Act.

V. Recommendations as To Disposition

The Hearing Officer recommends that:

1. An Order of Default be entered against Respondent Sunny Investments Brokerage Firm and that the facts alleged in the Notice of Hearing be deemed admitted.
2. An Order be entered against Respondent Sunny Investments Brokerage Firm in the form of a permanent order of prohibition against Sunny from offering or selling securities in or from the State of Illinois.
3. An Order be entered against Respondent Sunny Investments Brokerage Firm imposing a fine of \$10,000.00.

NOW THEREFORE IT IS HEREBY ORDERED THAT:

1. An Order of Default is entered against Respondent Sunny Investments Brokerage Firm and that the facts alleged in the Notice of Hearing are deemed admitted.
2. An Order is entered against Respondent Sunny Investments Brokerage Firm in the form of a **PERMANENT ORDER OF PROHIBITION** against Sunny from offering or selling securities in or from the State of Illinois.
3. An Order is entered against Respondent Sunny Investments Brokerage Firm imposing a fine of \$10,000.00.

NOTICE: Failure to comply with the terms of this Order shall be a violation of Section 12.D of the Act. Any person or entity that fails to comply with the terms of this Order of the Secretary of State, having knowledge of the existence of this Order, shall be guilty of a Class 4 felony for each offense.

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This is a final order subject to administrative review pursuant to the Administrative Review Law [735 ILCS 5/3-101 *et seq.*] and the Rules and Regulations of the Act (14 Ill. Admin. Code, Ch. 1 Sec. 130.1123). Any action for judicial review must be commenced within thirty-five (35) days from the date a copy of this Order is served upon the party seeking review.

ENTERED this 26th day of June 2015.

A handwritten signature in cursive script that reads "Jesse White". The signature is written in black ink and is positioned above a horizontal line.

JESSE WHITE
Secretary of State
State of Illinois

James J. Tierney
Attorney for the Secretary of State
Securities Department
69 West Washington, Suite 1220
Chicago, Illinois 60602
Ph: 312-793-9650