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**COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF BANKING AND SECURITIES**

PA DEPARTMENT OF
BANKING AND SECURITIES

**COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF BANKING AND
SECURITIES, BUREAU OF SECURITIES
COMPLIANCE AND EXAMINATIONS**

DOCKET No. 17 *CO27* **(SEC-C&D)**

v.

**VASARI ENERGY, INC.
MICHAEL MEGARIT**

PA DEPARTMENT OF
BANKING AND SECURITIES

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FILED

CONSENT AGREEMENT AND ORDER

The Commonwealth of Pennsylvania, acting through the Department of Banking and Securities (“Department”), Bureau of Securities Compliance and Examinations (“Bureau”), has conducted an investigation of the business practices of Vasari Energy, Inc. (“VEI”) and Michael Megarit (“Megarit”). Based on the results of its investigation, the Bureau has concluded that VEI and Megarit have operated in violation of the Pennsylvania Securities Act of 1972, 70 P.S. § 1-101 *et. seq.* (“1972 Act”). VEI and Megarit, in lieu of litigation, and without admitting or denying the allegations herein, and intending to be legally bound, hereby agrees to the terms of this Consent Agreement and Order (“Order”).

BACKGROUND

1. The Department is the Commonwealth of Pennsylvania’s administrative agency authorized and empowered to administer and enforce the 1972 Act.
2. The Bureau is primarily responsible for administering and enforcing the 1972 Act for the Department.
3. VEI was, at all times material herein, a Delaware corporation with an address at 9844 Research Drive, Suite 200, Irvine, California 92618.

4. Megarit was, at all times material herein, the president of VEI and an individual with an address at 9844 Research Drive, Suite 200, Irvine, California 92618.

5. In or about May 2017, a representative of VEI (“Representative”) cold-called at least one (1) Pennsylvania resident (“PA Resident”) regarding an investment opportunity in VEI. The Representative told the PA Resident that the investment was a “pre-IPO,” offering a 7% rate of return. The Representative told the PA Resident that the Representative would send the PA Resident information about the investment opportunity.

6. In or about May 2017, a Representative e-mailed the PA Resident offering materials (“Materials”). The Materials included subscription documents and wiring instructions for submitting funds to VEI.

7. The Materials state the following:

- a. VEI is purportedly in the business of producing, selling, and delivering energy, energy products, and services;
- b. VEI is offering for sale “Series D 7% Convertible Preferred Stock” (“Shares”);
- c. The price is \$2.00 per Share;
- d. There is a “minimum purchase of 10,000 Shares”;
- e. VEI is seeking total capitalization of \$20,000,000; and
- f. Each Share “shall be entitled to cumulative annual dividends at the rate of 7% per annum.”

8. In or about May 2017, a Representative telephoned the PA Resident and offered for sale the Shares.

9. In April 2017, VEI filed a Form D, Notice of Exempt Offering of Securities with the United States Securities and Exchange Commission, claiming reliance on Rule 506 of Regulation D for VEI's offer and sale of the Shares.

10. The PA Resident had no substantive, pre-existing relationship with VEI or Megarit.

11. The PA Resident was not an accredited investor under Rule 501 of Regulation D, and the PA Resident did not have sufficient knowledge and experience in financial and business matters to be capable of evaluating the merits and risks of the investment.

12. The Shares described above are "securities" within the meaning of Section 102(t) of the 1972 Act, 70 P.S. §1-102(t).

13. VEI is the "issuer" of the Shares described above within the meaning of Section 102(l) of the 1972 Act, 70 P.S. §1-102(l).

14. Megarit acted as an "affiliate" of VEI within the meaning of Section 102(b) of the 1972 Act, 70 P.S. §1-102(b), and, as such, caused and is about to cause VEI to commit the herein stated acts which violated and are about to violate the 1972 Act.

15. The records of the Department disclose that the Shares are (a) not registered under Section 201 of the 1972 Act, 70 P.S. §1-201; (b) not exempt from registration under Section 202 of the 1972 Act, 70 P.S. §1-202; (c) not federally covered securities under Section 211 of the 1972 Act, 70 P.S. §1-211; and (d) that the offer relating to the Shares was not exempt under Section 203 of the 1972 Act, 70 P.S. §1-203.

16. On June 1, 2017, the Department issued a Summary Order to Cease and Desist against VEI and Megarit pursuant to Section 606(c.1) of the 1972 Act, 70 P.S. §1-606(c.1).

VIOLATION

17. By engaging in the acts and conduct set forth in paragraphs 3 through 16 above, VEI and Megarit offered the Shares to Pennsylvania residents in violation of Section 201 of the 1972 Act, 70 P.S. § 1-201.

RELIEF

18. Within 30 days of the Effective Date of this Order, as defined in paragraph 27, VEI and Megarit shall pay the Department an administrative assessment in the amount of \$7,500.00. Payment shall be made by certified check or money order made payable to the “Department of Banking and Securities” and shall be mailed or delivered in person to the Bureau of Licensing, Compliance and Examinations located at 17 N. Second Street, Suite 1300, Harrisburg, PA 17101.

19. The Department’s Summary Order to Cease and Desist dated June 1, 2017 is hereby prospectively RESCINDED as of the Effective Date of this Order.

20. This Order is not intended to indicate that VEI or Megarit or any of their affiliates or current or former employees should be subject to any disqualification contained in the federal securities laws, the rules and regulations thereunder; the rules and regulations of self-regulatory organizations or various states’ securities law, including the provisions of the 1972 Act and regulations promulgated thereunder; and any disqualification from relying upon the registration exemptions or safe harbor provisions, and this Order is not intended to form the basis of any such disqualification.

21. VEI and Megarit are ORDERED to comply with the 1972 Act, and Regulations adopted by the Department, and in particular Section 201 of the 1972 Act, 70 P.S. § 1-201.

22. Should VEI and Megarit fail to pay the costs and the assessment as set forth in paragraph 18 above, the sanctions set forth elsewhere in the Order shall continue in full force and effect until full payment is made. However, this provision shall not be construed as affording VEI and Megarit the option of either paying the costs and the assessment or being indefinitely subject to the sanctions.

23. Should VEI and Megarit fail to comply with any and all provisions of this Order, the Department may impose additional sanctions and costs and seek other appropriate relief subject to VEI's and Megarit's rights to a hearing pursuant to the 1972 Act.

FURTHER PROVISIONS

24. Consent. VEI and Megarit hereby knowingly, willingly, voluntarily and irrevocably consent to the entry of this Order pursuant to the Bureau's authority under the 1972 Act and agree that they understand all of the terms and conditions contained herein. VEI and Megarit, by voluntarily entering into this Order, waive any right to a hearing or appeal concerning the terms, conditions and/or penalties set forth in this Order.

25. Entire Agreement. This Order contains the entire agreement among the Department, VEI, and Megarit. There are no other terms, obligations, covenants, representations, statements, conditions, or otherwise, of any kind whatsoever concerning this Order. This Order may be amended in writing by mutual agreement by the Department, VEI, and Megarit.

26. Binding Nature. The Department, VEI, Megarit, and all officers, owners, directors, employees, heirs and assigns of VEI and Megarit intend to be and are legally bound by the terms of this Order.

27. Counsel. This Order is entered into by the parties upon full opportunity for legal advice from legal counsel.

28. Effectiveness. VEI and Megarit hereby stipulate and agree that the Order shall become effective on the date the Bureau executes the Order (“Effective Date”).

29. Other Enforcement Action.

(a) The Department reserves all of its rights, duties, and authority to enforce all statutes, rules, and regulations under its jurisdiction against VEI and Megarit in the future regarding all matters not resolved by this Order.

(b) VEI and Megarit acknowledge and agree that this Order is only binding upon the Department and not any other local, state or federal agency, department, or office regarding matters within this Order.

30. Authorization. The parties below are authorized to execute this Order and legally bind their respective parties.

31. Counterparts. This Order may be executed in separate counterparts, by facsimile and/or by PDF.

32. Titles. The titles used to identify the paragraphs of this document are for the convenience of reference only and do not control the interpretation of this document.

33. Finding. The Department finds that it is necessary and appropriate in the public interest and for the protection of investors, and consistent with the purposes fairly intended by the policy and provisions of the 1972 Act to issue this Order.

WHEREFORE, in consideration of the foregoing, including the recital paragraphs, the Commonwealth of Pennsylvania, Department of Banking and Securities, Bureau of Securities Compliance and Examinations, Vasari Energy, Inc., and Michael Megarit, intending to be legally bound, do hereby execute this Consent Agreement and Order.

**FOR THE COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF BANKING AND SECURITIES
BUREAU OF SECURITIES, LICENSING, COMPLIANCE AND EXAMINATIONS**

Redacted

~~Joseph A. Minisi, Deputy Secretary for Securities~~

Date:

9/13/17

FOR VASARI ENERGY, INC.

Redacted

(Officer Signature)

MICHAEL MEGARIT

(Print Officer Name)

PROVIDER

(Title)

Date:

SEPT 12, 2017

FOR MICHAEL MEGARIT

Redacted

(Signature)

Date:

SEPT 12, 2017

