

BEFORE THE
STATE OF WISCONSIN
DEPARTMENT OF FINANCIAL INSTITUTIONS
DIVISION OF SECURITIES

In the Matter of
REEF PARTNERS, LLC, REEF SECURITIES, INC.,
REEF-BROUSSARD INFIELD DEVELOPMENT
JOINT VENTURE #1, REEF PARTNERS 2003-A INCOME
FUND JOINT VENTURE, MICHAEL J MAUCELI,
ROBERT H. STANLEY, and RICK BERG,

PETITION FOR ORDER

Respondent.

File No. S-04052(EX)

The staff of the State of Wisconsin Department of Financial Institutions, Division of Securities, Bureau of Registration & Enforcement has conducted an investigation in this matter pursuant to sec. 551.56, Wis. Stats., and as a result thereof alleges as follows:

1. Reef Partners, LLC ("Reef LLC") is a foreign business entity with a last known business address of 1901 N. Central Expressway, Ste. 300, Richardson, TX 75080.
2. Reef Securities, Inc. (BD#31951) ("RSI") is a foreign business entity with a last known business address of 1901 N. Central Expressway, Ste. 400, Richardson, TX 75080, which has been licensed as a securities broker-dealer pursuant to Ch. 551, Wis. Stats., since August 2000.
3. Reef-Broussard Infield Development Joint Venture #1 ("Broussard") is a foreign business entity with a last known business address at that of Reef LLC.
4. Reef Partners 2003-A Income Fund Joint Venture ("RIF") is a foreign business entity with a last known business address at that of Reef LLC.
5. Michael J. Mauceli (DOB 9/4/56; CRD #2142589) ("Mauceli") is an individual who at all times material hereto has been the principal and controlling person of Reef LLC, with a last known business address at that of Reef LLC.
6. Robert H. Stanley (DOB 1/8/57; CRD #2546156) ("Stanley") is an individual who at all times material hereto has been an agent of Reef LLC, RSI, Broussard, and Mauceli, who has been licensed as a securities agent for RSI in Wisconsin since August 9, 2000, with a last known business address at that of RSI.
7. Rick Berg ("Berg") is an individual who at all times material hereto has been an agent of Reef LLC, RSI, Broussard, and Mauceli, with a last known business address at that of RSI.
8. During the period of February 2004, Stanley and Berg, on behalf of Reef LLC, RSI, Broussard, and Mauceli, offered units of "joint venture interests" in Broussard to at least one person in Wisconsin ("the Broussard offeree").
9. During the period of February 2004, Stanley, on behalf of Reef LLC, RSI, RIF, and Mauceli offered units of "joint venture interests" in RIF to at least one person in Wisconsin who stated to Stanley that he was not an accredited investor ("the RIF offeree").

10. The persons in Wisconsin referred to above had no pre-existing relationship with any of the Respondents.
11. During the period of January and February 2004, unknown agents, on behalf of Reef LLC, RIF, and Mauceli, offered and sold to at least two persons in Wisconsin ("the RIF offerees") units of "joint venture interests" in RIF.
12. Pursuant to the offering materials received by the Broussard offeree, Broussard will engage in the business of acquiring an interest in the subject well and participate in its operations.
13. Pursuant to the offering materials received by the RIF offeree, RIF will primarily engage in the business of purchasing and operating producing oil and gas properties.
14. Although the offering materials characterize Broussard as a "joint venture" wherein the participants will have substantial management powers and liabilities, Stanley represented during the offer to the Broussard offeree that:
 - a) investors have no duties and responsibilities beyond their initial investment;
 - b) Reef LLC is the operator and takes care of everything;
 - c) investors are "managing general partners" but insurance covers any liabilities they may incur;
 - d) the venture is called a "general partnership" for tax purposes; and
 - e) eventually the investors will vote to change the general partnership to a limited partnership, after using up all of the tax advantages.
15. Upon information and belief, investors can play a passive role in Broussard and RIF with no duties and responsibilities.
16. Upon information and belief, each investor will not be involved in the day-to-day management of Broussard and RIF, since there are too many investors for them to each have any meaningful input, and they do not have the expertise or experience necessary to perform its duties.
17. Since the investors will be involved in a common enterprise with the expectation of profits to be derived from the essential managerial efforts of others, the "units of interest" offered and sold by the respondents are investment contracts as defined by section DFI-Sec. 1.02(6)(a), Wis. Adm. Code, and are therefore securities as defined by sec. 551.02(13), Wis. Stats.
18. Upon information and belief, persons in Wisconsin were cold-called, on behalf of Reef LLC, RSI, Broussard, RIF, and Mauceli, by persons with whom they had no pre-existing relationship, in violation of section 4(2)'s ban on general solicitation.
19. The Broussard investment contracts have never been registered for offer and sale in Wisconsin pursuant to Ch. 551, Wis. Stats.
20. The RIF investment contracts do not qualify for exemption from registration pursuant to the provisions of Regulation D promulgated pursuant to Section 4(2).
21. All Respondents have violated sec. 551.21(1), Wis. Stats., by offering unregistered securities in Wisconsin.
22. In connection with the offers of the securities described above, RSI transacted business in Wisconsin as a "broker-dealer," as that term is defined by sec. 551.02(3), Wis. Stats.

23. RSI has been licensed as a securities broker-dealer pursuant to Ch. 551, Wis. Stats., since August 2000.
24. Respondent RSI has violated sec. 551.34(1)(j), Wis. Stats., by failing to properly supervise its registered representative to ensure his compliance with the Wisconsin securities laws, which he violated as set forth above, and for having no written procedures or system of applying such procedures as would have been expected to prevent or detect such violations.
25. In connection with the offers of the securities described above, Berg transacted business in Wisconsin as an "agent" for Reef LLC, RSI, and Mauceli, as that term is defined by sec. 551.02(2), Wis. Stats.
26. At no time has Berg been licensed as a securities agent pursuant to Ch. 551, Wis. Stats.
27. Berg has violated sec. 551.31(1), Wis. Stats., by transacting business in Wisconsin as a securities agent without a license.
28. Reef LLC, Mauceli, and RSI have violated sec. 551.31(2), Wis. Stats., by employing an unlicensed agent to represent them in Wisconsin.
29. On December 21, 1995, the State of Texas placed Western American Securities Corp. n/k/a RSI on probation for 180 days, reprimanded the firm and its principal, and ordered them to pay a fee of \$15,000, based on allegations of using unregistered agents to offer and sell unregistered securities in the form of working interests in oil and gas wells, as well as failing to grant immediate and free access to the firm's records and failing to maintain records as required.
30. On September 6, 1996, the State of Illinois issued a Consent Order of Withdrawal and Censure which included a payment of \$10,000 to the Audit and Enforcement Fund against RSI, based on allegations of selling unregistered securities in the form of oil and gas venture interests.
31. In connection with the offer of the securities described in Paragraph 8 and 9, the Respondents omitted to disclose the issuance of the orders referred to in Paragraphs 29 and 30.
32. All Respondents have violated sec. 551.41(2), Wis. Stats., by omitting to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they are made, not misleading, in connection with the offer and sale of securities to persons in Wisconsin.

Therefore, the staff of the Bureau of Registration & Enforcement petitions the Administrator of the Division of Securities for the issuance of the attached Order pursuant to Ch. 551, Wis. Stats.

Susan A. Kittel Moore 12/10/04
 Susan A. Kittel Moore Date
 Securities Examiner
 Bureau of Registration & Enforcement

David A. Cohen 12/10/04
 David A. Cohen Date
 Supervising Attorney
 Bureau of Registration & Enforcement