STATE OF NORTH CAROLINA

Department of The Secretary of State

In The Matter Of:	)	
	)	
THE NORTH CAROLINA SECURITIES DIVISION,	)	
	)	
Petitioner,	)	
	)	
vs.	)	**SUMMARY ORDER TO CEASE AND DESIST**
	)	
BLUE RIDGE BIOFUELS, L.L.C.; BRIAN EUGENE WINSLETT; and ANY AND ALL OTHER PERSONS OCCUPYING THE POSITION OF OFFICER, DIRECTOR, AGENT OR SIMILAR STATUS, PERFORMING A SIMILAR FUNCTION, OR OTHERWISE CONTROLLING BLUE RIDGE BIOFUELS, L.L.C.,	)	FILE NO. 06-022-IG
	)	
Respondents.	)	

Pursuant to the authority granted by Chapter 78A of the North Carolina General Statutes (the North Carolina Securities Act), hereinafter referred to as the "Securities Act," and the rules promulgated thereunder, the Securities Division of the Department of the Secretary of State, hereinafter referred to as the "Division," has investigated the activities of **BLUE RIDGE BIOFUELS, L.L.C.**. (hereinafter "Biofuels") and **BRIAN EUGENE WINSLETT** (hereinafter "Winslett") to determine if they have engaged in, or are about to engage in, any act or practice constituting a violation of the Securities Act or any rule or order thereunder.

THE DIVISION has filed an Administrative Petition against the above-named Respondents seeking, among other remedies, a temporary and summary Cease and Desist Order pursuant to the provisions of N.C.G.S. §78A-47(b)(2).

THE SECRETARY OF STATE, acting by and through her duly authorized Deputy Securities Administrator, from the investigation and the information derived therefrom, and for the protection and preservation of the public welfare and in the public interest, makes the following:

FINDINGS OF FACT

1. Respondent Biofuels, L.L.C. is a limited liability company organized and existing under the laws of North Carolina, having filed its Articles of Organization with the Department of the Secretary of State on December 10, 2004. Respondent Biofuels maintain its principal office at 109 Roberts Street, Buncombe County, Asheville, N.C. 28801

2. Respondent Winslett is a natural person residing in Buncombe County, N.C. who occupies positions within Respondent Biofuels variously known as "Owner/Partner," "Partner," "Chairperson of the Board," and "General and/or Managing Partner." Upon information and belief Respondent Winslett's responsibilities with respect to Respondent Biofuels include business development and funding. Further Respondent Winslett is the largest individual unit holder of Respondent Biofuels, holding approximately four percent of the issued units. Respondent Winslett occupies a position of authority and control over the activities of Respondent Biofuels.

3. On or about May 26, 2006 Respondent Biofuels filed with the Petitioner a notice filing (Form D) under N.C.G.S. §78A-31(b) wherein said Respondent indicated that it had offered and sold "Common Unit B Securities" issued by Biofuels to both accredited and non-accredited investors who were members of the public in North Carolina.

4. The said notice filing also indicated that Respondent Biofuels claimed an exclusion from registration in North Carolina for its "Common Unit B Securities" as qualified "federal covered securities" under N.C.G.S. §78A-24(iii); such exclusion is allowed under the North Carolina Securities Act if the offering of the securities qualifies under the provisions of Section 18(b)(4)(D) of the federal Securities Act of 1933 and Regulation D, Rule 506 (17 C.F.R. §230.506), promulgated under said statute.

5. Regulation D, Rule 506 (b), setting forth the conditions for availability of the above exclusion from North Carolina registration, requires, among other conditions, that offers and sales of the security must comply with all the terms and conditions of Rules 501 and 502 of Regulation D (17 C.F.R. §§230.501 and 230.502).

6. Regulation D, Rule 502(c) [17 C.F.R. §230.502 (c)] states that "... neither the issuer nor any person acting on its behalf shall offer or sell the securities by any form of general solicitation or general advertising... ."

7. Respondent Biofuels maintains an Internet site at www.blueridgebiofuels.com. This Internet site is accessible to members of the public in North Carolina as well as any person in any state or country with an Internet connection through a computer.

8. On June 28, 2006 an investigator employed by Petitioner sent an electronic mail communication to the Respondent Biofuels' Internet site requesting investor information and investment opportunities sponsored by Biofuels. Within a short period of time the investigator received an offering memorandum with respect to "Common Unit B Securities" from Respondents Biofuels and Winslett via electronic mail. The transmitted offering memorandum included a Subscription Agreement for the purchase of Biofuels' "Common Unit B Securities."

9. The offering memorandum transmitted to the Petitioner's investigator included financial information as to the first fifteen (15) months of Respondent Biofuels' operations. The financial statements were not audited nor were the statements prepared

in accordance with generally accepted accounting principles, in contravention of the requirements of Regulation D, Rule 502 (b)(2)(i)(B)(1) [17 C.F.R. §230.502 (b)(2)(i)(B)(1)] and item 310 of Regulation S-B (17 C.F.R. §228.310).

10. Regulation D, Rule 502 (b)(2)(i)(a) [17 C.F.R. §230.502(b)(2)(i)(a)] requires that an issuer utilizing Rule 506 must provide non-financial information to a prospective purchaser "... to the extent material to an understanding of the issuer, its business, and the securities being offered." To ensure that requirement is met, the Rule requires that specific information described in Part II, Form 1-A of Regulation A (17 C.F.R. §239.90) be provided to potential purchasers of securities issued by non-corporate entities. Among the required disclosures are:

> a. information regarding dilution of public ownership interests if there is a material disparity between public offering price and the effective cash cost to officers, directors, promoters, and affiliated persons for shares acquired within the past three years (Item 3(b), Model B, Form 1-A); and
>
> b. information detailing the business experience within the past five years of all directors, executive officers, and significant employees of the issuer, including information relating to each such persons' level of professional competence (Item 8(c), Model B, Form 1-A).

11. The Biofuels Internet site describes it as a "worker owned cooperative" whose "unique business structure provides a variety of ways to own part of BRB." The Biofuels offering memorandum indicates that a number of "active members" have received approximately twenty-five percent (25%) of Biofuels' ownership interests and that $286,394.00 in equity in the company has been obtained through "unpaid labor."

12. The offering memorandum contains no information as to dilution of public ownership resulting from present or future "unpaid labor" ownership interests and those which are being offered to the public, nor is there any explanation of the formula under which "unpaid labor" is converted to ownership interests in Biofuels, in contravention of the requirements of Regulation D, Rule 502(b)(2)(i)(a) [17 C.F.R. §230.502(b)(2)(i)(a)].

13. The Biofuels offering memorandum is devoid of any information relating to the past business experience or professional qualifications of those persons named as "Management, Key Personnel and Advisors" of Biofuels, in contravention of the requirements of Regulation D, Rule 502(b)(2)(i)(a) [17 C.F.R. §230.502(b)(2)(i)(a)].

14. The use of a general offering solicitation, as described in Paragraphs 7 and 8, above, and the failure to comply with the requirements of Regulation D, Rule 502, as described in Paragraphs 10 through 13 above, disqualify Respondent Biofuels' "Common Unit B Securities" from the exclusion from registration offered by N.C.G.S. §78A-24(iii) and Section 18(b)(4)(D) of the federal Securities Act of 1933.

15. The "Common Unit B Securities" of Respondent Biofuels were not registered with the Securities Division of the Department of the Secretary of State under the provisions of the North Carolina Securities Act prior to being offered and sold to members of the public in North Carolina by Respondents.

16. The offer and sale of its "Common Unit B Securities" in North Carolina without registration, exemption from registration, or qualifying for exclusion from registration as a "federal covered security" confers upon Respondent Biofuels the status of a "dealer" of securities, as that term is defined in N.C.G.S. §78A-2(2).

17. At all times material to this action, Respondents Biofuels and Winslett were not registered as dealers or salesmen of securities in North Carolina.

18. The willful failure of Respondent Biofuels to include in its offering memorandum the financial and non-financial information required by Regulation D, Rules 502 and 506, as described in Paragraphs 9 through 15, constitutes the omission of material facts necessary in order to make statements made in said memorandum, in light of the circumstances under which they were made, not misleading.

CONCLUSIONS OF LAW

1. The Secretary has statutory authority pursuant to N.C.G.S. §78A-47(b)(2) to enter and issue a temporary and summary Cease and Desist Order against the Respondents.

2. There is reasonable cause to believe the Respondents have engaged in willful violations of the North Carolina Securities Act, specifically N.C.G.S. §§78A-8, 78A-24 and 78A-36.

3. There is reasonable cause to believe the Respondents will continue to commit acts and omissions in violation of the North Carolina Securities Act.

4. It is necessary and appropriate for the protection and preservation of the public interest that the Respondents be summarily ordered to cease and desist from making offers and sales of securities in violation of the North Carolina Securities Act and, in connection with such solicitations, omitting to state material facts necessary to make other statements made, in light of the circumstances under which they were made, not misleading.

5. The public interest would be irreparably harmed by the delay inherent in issuing an order under the provisions of N.C.G.S. §78A-47(b)(1).

NOW, THEREFORE, IT IS ORDERED, pursuant to the authority contained in N.C.G.S. §78A-47(b)(2), that Respondents **BLUE RIDGE BIOFUELS, L.L.C., BRIAN EUGENE WINSLETT, AND ANY PERSON OCCUPYING THE POSITION OF PARTNER, OFFICER, DIRECTOR OR OTHER SIMILAR FUNCTION OR POSITION, OR DIRECTLY OR INDIRECTLY CONTROLLING BLUE RIDGE BIOFUELS, L.L.C. AND ANY AND ALL PERSONS IN ACTIVE CONCERT AND PARTICIPATION WITH BLUE RIDGE BIOFUELS, L.L.C. AND BRIAN EUGENE WINSLETT** shall immediately cease and desist:

a. offering for sale, soliciting offers to purchase, or selling, in or from North Carolina, the securities of Blue Ridge Biofuels, L.L.C.. in the form of "Common

Unit B securities" and any security of any issuer, howsoever denominated, unless and until such securities have been registered pursuant to the provisions of the North Carolina Securities Act;

b. offering for sale, soliciting offers to purchase, or selling, in or from North Carolina, the securities of Blue Ridge Biofuels, L.L.C. in the form of "Common Unit B Securities" and any security of any issuer, howsoever denominated, unless and until said entity and persons become registered as dealers or salesmen of securities pursuant to the provisions of the North Carolina Securities Act; and

c. in connection with the offer, sale or purchase of any security, omitting to state material facts necessary in order to make statements made, in light of the circumstances under which such statements were made, not misleading.

NOTICE IS HEREBY GIVEN that the Respondents may request a hearing upon this matter by transmitting such request, in writing, to David S. Massey, Deputy Securities Administrator, Securities Division, Department of the Secretary of State, Post Office Box 29622, Raleigh, North Carolina 27626-0622. A copy of any such request shall be served by first-class mail upon Forrest W. Goldston, Chief Enforcement Attorney, Securities Division, Post Office Box 29622, Raleigh, North Carolina 27626-0622. If such a request is made, this matter shall be scheduled for hearing in accordance with Chapter 150B of the North Carolina General Statutes within twenty (20) days after receipt by the Deputy Securities Administrator of the written request. If no request for hearing, other responsive pleading, or submission is received by the Deputy Securities Administrator within thirty (30) business days of the receipt of service hereof, this Summary Order To Cease And Desist shall become final and remain in effect unless it is modified or vacated by the Secretary of State in her capacity as Administrator of the North Carolina Securities Act.

WITNESS MY HAND AND THE OFFICIAL SEAL of the North Carolina Department of the Secretary of State, this the 20th day of July, 2006.

Time of entry: 5:00 P. M.

ELAINE F. MARSHALL
SECRETARY OF STATE OF NORTH CAROLINA and
Securities Administrator

By: _____
DAVID S. MASSEY
DEPUTY SECURITIES ADMINISTRATOR