

STATE OF ILLINOIS  
SECRETARY OF STATE  
SECURITIES DEPARTMENT

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IN THE MATTER OF: HUGHES ENERGY, INC., )  
ITS OFFICERS, DIRECTORS, )  
EMPLOYEES, AGENTS, ) File Number 0500536  
AFFILIATES, SUCCESSORS )  
AND ASSIGNS AND CARL E. ROYSE )  
AND BRADLEY K. CLARK )  
)

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CONSENT ORDER

TO THE RESPONDENTS: Hughes Energy, Inc.  
Carl E. Royse  
215 SE 3<sup>rd</sup> St.  
Fairfield, Illinois 62837

C/O Robert C. Wilson  
Attorney at Law/CPA  
117 Poplar St.  
Harrisburg, Illinois 62946

WHEREAS, Hughes Energy, Inc. and Carl E. Royse on February 12, 2007 executed a certain Stipulation To Entry Of Consent Order (the "Stipulation"), which hereby is incorporated by reference herein.

WHEREAS, by means of the Stipulation, the Respondents have admitted to the jurisdiction of the Secretary of State and service of the Notice of Hearing in this matter and the Respondent has consented to the entry of this Consent Order.

WHEREAS, the Secretary of State, by and through his designated representative, the Securities Director, has determined that the matter related to the aforesaid formal hearing may be dismissed without further proceeding.

WHEREAS, the Respondents have acknowledged that the allegations contained in paragraph seven (7) of the Stipulation shall be adopted as the Secretary of State's Findings of Fact as follows:

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1. That the Respondent, Hughes Energy, Inc. is an Illinois registered corporation incorporated in Illinois on July 11, 2003.
2. Carl E. Royse ("Royse") during the relevant time period was the President and owner of Hughes Energy, Inc.
3. Bradley K. Clark ("Clark") during the relevant time period was the Vice President of Operations of Hughes Energy, Inc.
4. Hughes Energy, Inc has offered for at least one year and was offering for sale investments in securities at a web site on the internet located at www.l-1.com/hughes energy/destpage/index.php ("Web site").
5. The Web site stated the following: "Hughes Energy, Inc., an established U.S. oil producer, currently seeks investors for direct participation in oil wells to be drilled in proven locations."
6. The Web site also contained a form that investors are requested to complete and provide contact information about themselves and an amount of capital they have available for investment with categories of \$12,500, \$25,000 and \$50,000+.
7. None of the information requested by the form sought to solicit information regarding the income and net worth of the prospective investor in order to determine whether they are a non-accredited, accredited, or qualified investor.
8. The Web site also failed to disclose that Hughes Energy Inc., Carl E. Royse and Bradley K Clark have been subject to administrative actions by the Texas Securities Board and the Pennsylvania Securities Commission which both found that the Respondents had engaged in fraudulent securities offerings.
9. In addition, the Web site did not contain any statement or disclosures that it is not being offered to

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residents of states in which the offer is not registered.

10. That from on or about January 2005 through January 2006 Hughes Energy, Inc. offered and sold, to at least 4 investors Units of Participation in oil well leases representing a 1/32 royalty interest in oil wells to be drilled and operated by Hughes Energy, Inc raising approximately \$262,500 from these 4 investors.
11. That Royse and Clark communicated orally with investors and offered and sold the above referenced interests to all four of the investors.
12. Royse and Clark omitted to disclose to investors the following material facts:
  - a. That in December 1992, Bradley Clark was prohibited by the Wisconsin Securities Commissioner from offering and/or selling securities due to his offer and sale of unregistered securities in violation of the Wisconsin Securities Act;
  - b. That in January 1995, the United States District Court for the Southern District of Florida issued a "Final Judgment of Permanent Injunction and other Relief" against Carl Royse as result of allegations that Royse engage in the sale of unregistered and fraudulent oil and gas investments to investors; and
  - c. That in February 1998, the Missouri Secretary of State Securities Division issued an Order to Cease and Desist against Carl Royse based upon his offer and sale of unregistered securities and misrepresentations of material facts in connection with the offer and sale of securities.
13. That the above-referenced interests are securities as that term is defined pursuant to Section 2.1 of the Illinois Securities Law [815 ILCS 5/1 et seq.] (the "Act").

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14. That Section 5 of the Act provides, inter alia, that all securities except those set forth under Section 2a, or those exempt under Section 3, or those offered and sold in transactions exempt under Section 4 of the Act shall be registered with the Secretary of State prior to their offer or sale in the State of Illinois.
15. That at all times relevant hereto, the interests issued by Hughes Energy, Inc. to investors were not registered with the Secretary of State pursuant to Section 5 of the Act prior to their offer or sale in the State of Illinois.
16. That Section 12.A of the Act provides, inter alia, that it shall be a violation of the Act for any person to offer or sell any securities except in accordance with the provisions of the Act.
17. That Section 12.D of the Act provides, inter alia, that it shall be a violation of the Act for any person to fail to file with the Secretary of State any document required to be filed under any provision of the Act.
18. That Section 12.G of the Act provides, inter alia, that it shall be a violation of the Act for any person to obtain money or property through the sale of securities by means of any untrue statement of a material fact or any omission to state a material fact necessary in order to make the statements made in light of the circumstances under which they were made, not misleading.
19. That at all times relevant hereto, the Respondents, Hughes Energy, Inc., Carl E. Royse and Bradley K. Clark failed to file an application for registration of the above referenced securities with the Secretary of State prior to their offer or sale in the State of Illinois.
20. That by virtue of the foregoing, the Respondents, Hughes Energy, Inc., Carl E. Royse and Bradley K. Clark have violated Sections 12.A, 12.D and 12.G of the Act.

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21. That Section 11.E(2) of the Act provides, inter alia, that if the Secretary of State shall find that any person has violated subsection D or G of Section 12 of the Act, the Secretary of State may by written order prohibit the person from offering or selling any securities in this State.
22. That Section 11.E(4) of the Act provides, inter alia, that if the Secretary of State, after finding that any provision of the Act has been violated, may impose a fine as provided by rule, regulation or order not to exceed \$10,000.00 for each violation of the Act.
23. That by virtue of the foregoing, the Respondents, Hughes Energy, Inc., Carl E. Royse and Bradley K. Clark are subject to a fine of up to \$10,000.00 per violation and an order which permanently prohibits the Respondent from offering or selling securities in the State of Illinois.

WHEREAS, the Respondent have acknowledged that the allegations contained in paragraph eight (8) of the Stipulation shall be adopted as the Secretary of State's Conclusion of Law as follows:

1. That by virtue of the foregoing, Hughes Energy, Inc and Carl E. Royse have violated Sections 12.A, D and G of the Act; and
2. That by virtue of the foregoing, Hughes Energy, Inc. and Carl E. Royse are subject to a fine of up to \$10,000 per violation and an Order of Prohibition.

NOW THEREFORE IT IS HEREBY ORDERED THAT:

1. The allegations contained in paragraphs seven (7) and eight (8) of the Stipulation shall be and are hereby adopted as the Secretary of State's Findings of Fact and Conclusion of Law.
2. The Respondents shall pay Costs of Investigation of \$2,500 to the Securities Audit and Enforcement Fund

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by check made payable to the Secretary of State within fifteen (15) days from the entry of the Consent Order.

3. The Respondents are hereby permanently prohibited from offering and/or selling securities in or from the State of Illinois.
4. The formal hearing scheduled on this matter is hereby dismissed without further proceeding.

ENTERED: This 28<sup>th</sup> day of March, 2007



JESSE WHITE  
Secretary of State  
State of Illinois

NOTICE: Failure to comply with the terms of this Order shall be a violation of Section 12.D of the Illinois Securities Law of 1953 [815 ILCS 5] (the "Act"). Any person or entity who 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.

Attorney for the Secretary of State:  
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