

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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TEMPORARY ORDER OF PROHIBITION

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

On information and belief, I, Jesse White, Secretary of State for the State of Illinois, through my designated representative, having been fully advised in the premises by the staff of the Illinois Securities Department, Office of the Secretary of State, herein find:

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 is currently 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") (See Exhibit A)
5. The Web site states the following: "Hughes Energy, Inc., an established U.S. oil producer, currently seeks

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investors for direct participation in oil wells to be drilled in proven locations."

6. The Web site also contains 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 seeks 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 fails 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 (See Exhibits B and C).
9. In addition, the Web site does not contain any statement or disclosures that it is not being offered to residents of states in which the offer is not registered.
10. 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. All of these investors were first made aware of the Hughes Energy, Inc offering through the web site identified above.
12. Royse and Clark communicated orally with investors and offered and sold the above referenced interests to all four of the investors.
13. Royse and Clark omitted to disclose to investors the following material facts:

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- a. That in December 1992, Bradley K. 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 E. Royse as result of allegations that Royse engage in the sale of unregistered and fraudulent oil and gas investments to investors;
  - c. That in February 1998, the Missouri Secretary of State Securities Division issued an Order to Cease and Desist against Carl E. Royse based upon his offer and sale of unregistered securities and misrepresentations of material facts in connection with the offer and sale of securities.
14. 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").
  15. 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.
  16. That at all times relevant hereto, the interests offered and 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.
  17. 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.

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18. 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.
19. 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.
20. 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.
21. 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.
22. That Section 11.F.(2) of the Act provides, inter alia, that the Secretary of State may temporarily suspend or prohibit the offer or sale of securities by any person if the Secretary of State in his or her opinion, based upon credible evidence, deems it necessary to prevent an imminent violation of the Act or to prevent losses to investors which the Secretary of State reasonably believes will occur as a result of a prior violation of the Act.
23. That based upon the foregoing, the Secretary of State deems it necessary, in order to prevent imminent and additional violations of the Act, and to prevent losses to investors as a result of the referenced prior violation of the Act, to enter an order pursuant to the authority granted under Section 11.F of the Act which prohibits the Respondent, their Officers, Directors, Employees, Affiliates, Successors, Agents and Assigns

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and Carl E. Royse and Bradley K. Clark from offering and/or selling securities in the State of Illinois.

24. That based upon the credible evidence available to the Secretary of State, the entry of this Temporary Order is in the public interest and is consistent with the purposes of the Act.

NOW THEREFORE, IT IS HEREBY ORDERED THAT: pursuant to the authority granted by Section 11.F of the Act, Hughes Energy, Inc., their Officers, Directors, Employees, Affiliates, Successors, Agents and Assigns and Carl E. Royse and Bradley K. Clark are hereby PROHIBITED from offering and/or selling securities in or from the State of Illinois until further order of the Secretary of State.

NOTICE is hereby given that the Respondent may request a hearing on this matter by transmitting such request in writing to Securities Director, Illinois Securities Department, 300 W. Jefferson St., Suite 300A, Springfield, Illinois 62702. Such request must be made within thirty (30) days of the date of entry of this Temporary Order. Upon receipt of a request for hearing, a hearing will be scheduled. Request for hearing will not stop the effectiveness of this Temporary Order and will extend the effectiveness of this Temporary Order for ninety days from the date the hearing request is received by the Department.

FAILURE BY ANY RESPONDENT TO REQUEST A HEARING WITHIN THIRTY (30) DAYS AFTER ENTRY OF THIS TEMPORARY ORDER SHALL CONSTITUTE AN ADMISSION OF ANY FACTS ALLEGED HEREIN AND CONSTITUTES SUFFICIENT BASIS TO MAKE THE TEMPORARY ORDER FINAL.

ENTERED: This 22nd day of September, 2006

Jesse White DR  
JESSE WHITE  
Secretary of State  
State of Illinois

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Attorney for the Secretary of State:

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