

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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NOTICE OF HEARING

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

You are hereby notified that pursuant to Section 11.F of the Illinois Securities Law of 1953, [815 ILCS 5/1 et seq.] (the "Act") and 14 Ill. Adm. Code 130, Subpart K, a public hearing will be held at 300 W. Jefferson St., Suite 300A, Springfield, Illinois 62702, on the 18th day of October, 2006 at the hour of 10:00 a.m., or as soon thereafter as counsel may be heard, before Jon K. Ellis, or such other duly designated Hearing Officer of the Secretary of State. A copy of the Rules under the Act pertaining to contested cases is attached to this Notice.

Said hearing will be held to determine whether an Order of Prohibition should be entered against Hughes Energy, Inc., its officers, directors, employees, agents, affiliates, successors and assigns and Carl Royse and Bradley K. Clark (the "Respondent") in the State of Illinois and granting such other relief as may be authorized under the Act including but not limited to imposition of a monetary fine in the maximum amount pursuant to Section 11 of the Act, payable within ten (10) days of the entry of the Order.

The grounds for such proposed action are 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. 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.
5. That Royse and Clark communicated orally with investors and offered and sold the above referenced interests to all four of the investors.
6. 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;
  - 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

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of material facts in connection with the offer and sale of securities.

7. 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").
8. 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.
9. 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.
10. 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.
11. 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.
12. 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.
13. 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

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above referenced securities with the Secretary of State prior to their offer or sale in the State of Illinois.

14. 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.
15. 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.
16. 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.
17. That by virtue of the foregoing, the Respondent, 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.

You are further notified that you are required pursuant to Section 130.1104 of the Rules and Regulations (14 Ill. Adm. Code 130) (the "Rules"), to file an answer to the allegations outlined above or a Special Appearance pursuant to Section 130.1107 of the Rules, or other responsive pleading within thirty days of the receipt of this notice. Your failure to do so within the prescribed time shall be deemed an admission of the allegations contained in the Notice of Hearing and waives your right to a hearing.

Furthermore, you may be represented by legal counsel; may present evidence; may cross-examine witnesses and otherwise participate. A failure to so appear shall constitute default.



A copy of the Rules, promulgated under the Act and pertaining to Hearings held by the Office of the Secretary of State, Securities Department, is included with this Notice.

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Delivery of notice to the designated representative of any Respondent constitutes service upon such Respondents.

Dated this 17<sup>th</sup> day of August, 2006.

   
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Jesse White  
Secretary of State  
State of Illinois

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Hearing Officer:  
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