



COMMONWEALTH OF PENNSYLVANIA  
DEPARTMENT OF BANKING AND SECURITIES

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PA DEPARTMENT OF  
BANKING AND SECURITIES

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COMMONWEALTH OF PENNSYLVANIA	:	
DEPARTMENT OF BANKING AND	:	
SECURITIES, BUREAU OF SECURITIES	:	
COMPLIANCE AND EXAMINATIONS	:	
	:	DOCKET No. 180107 (SEC-OSC)
v.	:	
	:	
CAP E OIL FUND #4, LLC	:	
CAPITAL ENERGY GROUP, LLC	:	
WILLIAM J. MILLES	:	

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**FINAL ORDER**

AND NOW, the Pennsylvania Banking and Securities Commission (“Commission”) issues this Final Order with respect to Respondent William J. Milles (“Milles”) in the matter of *Commonwealth of Pennsylvania Department of Banking and Securities, Bureau of Securities Compliance and Examinations v. Cap E Oil Fund #4, LLC, Capital Energy Group, LLC, and William J. Milles*, Docket No. 180107 (SEC-OSC).

The Commission reviewed the proposed report and proposed order of Hearing Officer Thomas Blackburn, which are attached, and which were mailed to the parties on March 20, 2019, pursuant to 1 Pa.Code § 35.207. The mailing to Milles was not returned as undelivered, so he is presumed to have received it. Because neither Milles nor the Department of Banking and Securities, Bureau of Securities, Compliance and Examination, (“Bureau”) filed exceptions, the Commission adopts the proposed report as written and issues this Final Order pursuant to the final adjudication authority granted it under Section 1122-A of the Department of Banking and Securities Code, 71 P.S. § 733-1122-A.

The Bureau had made certain allegations in the Order to Show Cause (“OTSC”) issued on December 14, 2018. In a Motion to Deem Facts Admitted filed on February 4, 2019, the Bureau

asserted that it served Milles with the OTSC, and that he filed no response to the allegations, so the Bureau asked for a default judgment against Milles for that reason. The Bureau did not ask for similar relief against the two LLC respondents, Cap E Oil Fund #4, LLC, (“CE Fund 4”) and Capital Energy Group, LLC (“CEG”). Therefore, the hearing officer granted the default motion against only Milles, and similarly his proposed report and proposed order find violations and apply sanctions only against Milles, not against CE Fund 4 or CEG.

The Commission finds that the Bureau’s allegations are deemed admitted by Milles due to his failure to respond. Specifically, Milles was the chief executive officer of CEG, which itself was the managing general partner of CE Fund 4. Milles and the other two respondents were involved in the offering and selling of unregistered and non-exempt securities in this Commonwealth. They sold at least \$175,000 of securities to three customers, and failed to disclose significant material information about the investments. Accordingly, the Commission concludes that the Bureau has adequately proven that Milles willfully violated various sections of the Pennsylvania Securities Act of 1972 (“1972 Act”).

Accordingly, the Commission **ORDERS** that, pursuant to section 1-512(a) of the 1972 Act, 70 P.S. §1-512(a), Milles is **TEMPORARILY BARRED for at least one (1) year** from each of the following activities:

1. Representing an issuer offering or selling securities in this Commonwealth;
2. Acting as a promoter, officer, director or partner of an issuer (or an individual occupying a similar status or performing similar functions) offering or selling securities in this Commonwealth, or of a person who controls or is controlled by such issuer;

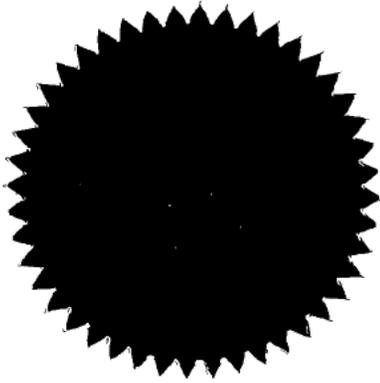
3. Being registered as a broker-dealer, agent, investment adviser or investment adviser representative under Section 301 of the 1972 Act;
4. Being an affiliate of any person registered under Section 301 of the 1972 Act; or
5. Relying upon an exemption from registration contained in Section 202, 203 or 302 of the 1972 Act.

The Commission further **ORDERS** Milles, pursuant to section 602.1 (c) of the 1972 Act, 70 P.S. §1-602.1(c), to pay an administrative assessment in the amount of Twenty-Five Thousand Dollars (\$25,000.00).

Upon payment by Milles of the administrative assessment in full and with the passage of at least one (1) year from the effective date of this Final Order, the Department at Milles's request will remove the temporary bar.

Payment of the administrative assessment shall be done by mailing to the following official a certified check, attorney's check, or U.S. Postal Service money order, made payable to the "Commonwealth of Pennsylvania," within thirty (30) days of the effective date of this Order:

Linnea Freeberg  
Docket Clerk  
Department of Banking and Securities  
Market Square Plaza  
17 N. Second Street, Suite 1300  
Harrisburg, PA 17101



**BY ORDER OF THE COMMISSION:**

Redacted

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**James R. Biery**  
**Chair**  
**Pennsylvania Banking and Securities Commission**

So ORDERED this 2<sup>nd</sup> day of May, 2019

FILED

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PA DEPARTMENT OF  
COMMONWEALTH OF PENNSYLVANIA BANKING AND SECURITIES  
DEPARTMENT OF BANKING AND SECURITIES

Commonwealth of Pennsylvania, :  
Department of Banking and Securities, :  
Bureau of Securities Licensing, :  
Compliance and Examinations, :  
Petitioner :

v. :

Docket No. 180107 (SEC-OSC)

Cap E Oil Fund #4, LLC, :  
Capital Energy Group, LLC, :  
and :  
William J. Milles, :  
Respondents :

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PROPOSED REPORT

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Thomas A. Blackburn  
Hearing Examiner

COMMONWEALTH OF PENNSYLVANIA  
GOVERNOR'S OFFICE OF GENERAL COUNSEL  
DEPARTMENT OF STATE  
OFFICE OF HEARING EXAMINERS  
P.O. Box 2649  
Harrisburg, PA 17105-2649

## HISTORY

This matter arose on the filing by the Department of Banking and Securities, Bureau of Securities Compliance and Examination (“Bureau”) of an order to show cause charging Cap E Oil Fund #4, LLC (“Respondent CE Fund 4”), Capital Entergy Group, LLC (“Respondent CEG”) and William J. Milles (“Respondent Milles”) (collectively, “Respondents”) under the Pennsylvania Securities Act of 1972<sup>1</sup> (“1972 Act”). Specifically, the order to show cause charged that Respondents are subject to disciplinary action because they willfully offered and sold securities not registered with the Department in violation of section 201 of the 1972 Act, and in connection with the offer of security that made untrue statements of material fact and engaged in acts or practices that operate as fraud or deceit in violation of section 401(b) and (c) of the 1972 Act, respectively. The order to show cause sought an order barring Respondents from representing an issuer, acting as a promoter offering security, being registered as a broker-dealer, agent or adviser, being an affiliate, or relying on any exemptions from registration; assessing costs of investigation; and levying an administrative assessment.

By letter dated January 29, 2019, Secretary of Banking and Securities Robin L. Wiessmann (“the Secretary”) delegated this matter to the undersigned hearing officer to conduct proceedings in accordance with the General Rules of Administrative Practice and Procedure<sup>2</sup> (“GRAPP”), including filing the of a proposed adjudication and order.

The Bureau served the order to show cause upon Respondents on December 14, 2018, in accordance with the requirements of § 33.31 of GRAPP, 1 Pa. Code § 33.31. The order to show cause directed Respondents to file an answer thereto within 30 days of the date of the order to

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<sup>1</sup> Act of December 5, 1972 (P.L. 1280, No. 284), *as amended*, 70 P.S. §§ 1-101 – 1-704.

<sup>2</sup> 1 Pa. Code §§ 31.1-35.251.

show cause. However, Respondents did not do so. On February 4, 2019, the Bureau filed against Respondent Milles only a Motion to Deem Facts Admitted and Entry of Default Judgment (“MDFA”), copies of which were served upon Respondents that same date by first-class mail, postage prepaid, at the same address at which the order to show cause had been served. Respondents have not filed any answer or objections to the MDFA.

Thereafter, on March 12, 2019, the hearing officer issued an Order Granting Petitioner’s Motion to Enter Default Decision and Deem Facts Admitted against Respondent Milles, which indicated, among other things, that a proposed adjudication and order would be issued in due course. As of the date of this proposed adjudication and order, Respondents have not filed any answer to the order to show cause or the MDFA. This proposed adjudication and order as to Respondent Milles only is now issued in accordance with the Secretary’s letter of January 28, 2019.

**FINDINGS OF FACT**

1. The Department is the Commonwealth of Pennsylvania's administrative agency authorized and empowered to administer and enforce the 1972 Act. (Order to show cause at ¶ 1)

2. The Bureau is primarily responsible for administering and enforcing the 1972 Act for the Department. (Order to show cause at ¶ 2)

3. Respondent CE Fund 4 was at all times material to this matter a Delaware limited liability company with an address of 2802 Flintrock Trace, Suite 201, Austin, TX 78738; at all times material to this matter, Respondent CE Fund 4 was offering for sale units of interest ("Units") in Respondent CE Fund 4. (Order to show cause ¶ 3)

4. Respondent CEG was at all times material to this matter a Delaware limited liability company with an address of 2802 Flintrock Trace, Suite 201, Austin, TX 78738; at all times material to this matter, Respondent CEG was the managing general partner of Respondent CE Fund 4. (Order to show cause at ¶ 4)

5. Respondent Milles was at all times material to this matter an individual with an address of Redacted ; Respondent Milles was at all times material to this matter the chief executive officer of Respondent CEG. (Order to show cause at ¶ 5)

6. Respondent CE Fund 4 purportedly acquired working interests and net revenue interests in Texas oil development wells. (Order to show cause at ¶ 6)

7. From October 2013 through April 2015, Respondent CE Fund 4 offered and sold Units to at least 3 Pennsylvania residents ("Customers") for an aggregate amount of at least \$175,752. (Order to show cause at ¶ 7)

8. Respondent CE Fund 4 failed to disclose to some or all of the Customers the

following material information concerning some or all of the following:

- a. The financial condition of Respondent CE Fund 4 and Respondent CEG;
- b. The financial risk of investing in the Units;
- c. The identity and relevant background of the corporate officers of Respondent CE Fund 4 and Respondent CEG;
- d. The operating history of Respondent CE Fund 4 and Respondent CEG.

(Order to show cause at ¶ 8)

9. To date, Respondent CE Fund 4 has been unable to fulfill its financial obligations to some or all of the Customers, and Respondent CE Fund 4 has consequently defaulted on payments to some or all of the Customers. (Order to show cause at ¶ 9)

10. The Units described above are “securities” within the meaning of section 102(t) of the 1972 Act. (Order to show cause at ¶ 10)

11. Respondent CE Fund 4 is the “issuer” of the Units described above within the meaning of section 102(l) of the 1972 Act. (Order to show cause at ¶ 11)

12. Respondent CEG acted as an “affiliate” of Respondent CE Fund 4 within the meaning of section 102(b) of the 1972 Act, and as such caused Respondent CE Fund 4 to commit the herein alleged acts that violated the 1972 Act. (Order to show cause at ¶ 12)

13. Respondent Milles acted as an “affiliate” within the meaning of section 102(b) of the 1972 Act and as such caused Respondent CEG to commit the herein alleged acts that violated the 1972 Act. (Order to show cause at ¶ 13)

14. The Units were not registered under section 201 of the 1972 Act, not exempt from registration under section 202 of the 1972 Act, and not Federally covered securities and the securities transactions relating to the Units were not exempt under section 203 of the 1972 Act.

(Order to show cause at ¶ 14)

15. On December 14, 2018, the Bureau filed an order to show cause against Respondents under the 1972 Act. (Official notice of Department records;<sup>3</sup> MDFA, paragraph 1)

16. On December 14, 2018, the Bureau served the order to show cause on Respondents by mailing a copy via certified mail return receipt and a copy via first-class mail postage prepaid to: Respondent CEG at 2802 Flintrock Trace, Suite 201, Austin, TX 78738; Respondent Cap E Fund 4 at 2802 Flintrock Trace, Suite 201, Austin, TX 78378; and Respondent Milles at Redacted. (Department records; MDFA, paragraphs 5-6 and attached Exhibit A; order to show cause at certificate of service)

17. Respondent Milles received the order to show cause, as shown by the signature of Respondent Milles or his agent on the USPS Form 3811 for certified mail return receipt. (MDFA, paragraph 7 and attached Exhibit B)

18. The order to show cause directed Respondents to file an answer within 30 days of its date. (MDFA, paragraph 2)

19. Respondent Milles did not file an answer and did not request an extension of time in which to file an answer. (Department records; MDFA, paragraphs 8-9)

20. On February 4, 2019, the Bureau filed its MDFA, copies of which were served upon Respondents that same date by first-class mail postage prepaid to: Respondent CEG at 2801 Flintrock Trace, Suite 201, Austin, TX 78738; Respondent Cap E Fund 4 at 2801 Flintrock Trace, Suite 201, Austin, TX 78378; and Respondent Milles at Redacted

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<sup>3</sup>Official notice is taken of docket entries in this matter in accordance with the GRAPP rule that an administrative agency may take official notice of its own records, 1 Pa. Code § 35.173; *see also, Falasco v Commonwealth of Pennsylvania Board of Probation and Parole*, 521 A.2d 991 (Pa. Cmwlth. 1987) (The doctrine of official notice allows an agency to take official notice of facts which are obvious and notorious to an expert in the agency's field and those facts contained in reports and records in the agency's files); *Gleeson v. State Bd. of Medicine*, 900 A.2d 430, 440 (Pa. Cmwlth. 2006), *appeal denied*, 917 A.2d 316 (Pa. 2007) (licensing board may take official notice of its own records). All subsequent such references will be cited as "Department records."

(Department records; MDFA at certificate of service)

21. The MDFA was granted by Order Granting Default Against Respondent Milles dated March 12, 2019, and mailed to: Respondent CEG at 2802 Flintrock Trace, Suite 201, Austin, TX 78738; Respondent Cap E Fund 4 at 2802 Flintrock Trace, Suite 201, Austin, TX 78378; and Respondent Milles at Redacted (Department records; see, Order Granting Default dated March 12, 2019)

22. As of the date of this proposed adjudication and order, Respondents have not responded to the order to show cause or the MDFA. (Department records)

23. Respondent Milles has been served with the order to show cause and all subsequent notices, documents and pleadings filed in this matter. (Department records)

## CONCLUSIONS OF LAW

1. The Banking and Securities Commission has jurisdiction in this matter under sections 304(a) and 601(a) of the 1972 Act, 70 P.S. §§ 1-304(a) and 1-601(a), and sections 1122-A and 1141-A of the Department of Banking and Securities Code<sup>4</sup>, 71 P.S. §§ 733-1122-A and 733-1141-A. (Findings of Fact 1-14)

2. Respondents received notice of this proceeding and were afforded an opportunity to be heard in accordance with section 4 of the Administrative Agency Law, 2 Pa. C.S. § 504. (Findings of Fact 3-5, 15-23)

3. Respondents violated section 201 of the 1972 Act, 70 P.S. § 1-201, by offering and selling the CE Fund 4 Units without them be registered or exempt from registration. (Findings of Fact 1 – 14)

4. Respondents violated section 401(b) of the 1972 Act, 70 P.S. § 1-401(b), by, in conjunction with the offer, sale or purchase of a security in this State, directly or indirectly making untrue statements of material fact or omitted to state a material fact necessary in order to make the statements made not misleading. (Findings of Fact 1 – 14)

5. Respondents violated section 401(c) of the 1972 Act, 70 P.S. § 1-401(c), by, in conjunction with the offer, sale or purchase of a security in this State, directly or indirectly engaging in acts that operated or would operate as a fraud or deceit upon any person. (Findings of Fact 1 – 14)

6. For these violations, Respondent Milles is subject to the imposition of sanctions under sections 512 and 602.1 of the 1972 Act, 70 P.S. §§ 1-512, 1-602.1. (Findings of Fact 1 – 14)

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<sup>4</sup> Act of May 15, 1933 (P.L. 565, No. 111), *as amended*, 71 P.S. §§ 733-1 – 733-1203.

## DISCUSSION

The Bureau served the order to show cause on Respondents by mailing copies via certified mail return receipt requested and by first-class mail postage prepaid to Respondent CE Fund 4 and Respondent CEG at 2802 Flintrock Trace, Suite 201, Austin, TX 78738 and to Respondent Milles at Redacted These are Respondents' last known addresses. Respondent Milles received the order to show cause, as evidenced by the signature of Respondent Milles or his agent on the USPS Form 3811. That fact created the presumption of delivery to Respondent Milles. *Cf. John Kenneth, Ltd. v. Com., U.C.B.R.*, 66 Pa. Cmwlth. 377, 379, 444 A.2d 824, 826 (1982) (“[w]here notice, mailed to a party’s last known address, is not returned by the postal authorities as undeliverable, the party is presumed to have received notice”).

The order to show cause directed Respondents to file an answer to the allegations in the order to show cause within 30 days, and advised Respondents that failure to file a timely answer to the order to show cause could result in a final order against them without a hearing. The order to show cause further notified Respondents that they could be barred from certain acts of practice or being registered under the 1972 Act; that they could be ordered to pay the costs of the investigation; and that they could be ordered to pay an administrative assessment of up to \$100,000 for each willful violation of the 1972 Act. Nonetheless, Respondents failed to file an answer or otherwise respond to the allegations in the order to show cause within the specified 30-day period. Accordingly, on February 4, 2019, the Bureau filed its MDFA, copies of which were served upon Respondents by first-class mail postage prepaid at the same address at which the order to show cause had been served. In the MDFA, the Bureau asked that Respondent Milles be deemed in default under the GRAPP at 1 Pa. Code § 35.37 for his failure to answer the allegations set forth in the order to show cause, and that those allegations be deemed admitted.

Section 35.37 of the GRAPP provides as follows:

§ 35.37. Answers to orders to show cause.

A person upon whom an order to show cause has been served under § 35.14 (relating to orders to show cause) shall, if directed so to do, respond to the same by filing within the time specified in the order an answer in writing. The answer shall be drawn so as specifically to admit or deny the allegations or charges which may be made in the order, set forth the facts upon which respondent relies and state concisely the matters of law relied upon. Mere general denials of the allegations of an order to show cause which general denials are unsupported by specific facts upon which respondent relies, will not be considered as complying with this section and may be deemed a basis for entry of a final order without hearing, unless otherwise required by statute, on the ground that the response has raised no issues requiring a hearing or further proceedings. **A respondent failing to file answer within the time allowed shall be deemed in default, and relevant facts stated in the order to show cause may be deemed admitted.**

1 Pa. Code § 35.37 (emphasis added). Respondents failed to file an answer within the time allowed, 30 days from the date of the order to show cause, and therefore, under the above rule, Respondents were deemed to be in default by Order Granting Default, dated March 12, 2019.

The procedural history set forth above satisfactorily demonstrates that Respondents have been afforded adequate notice of the charges, as well as an opportunity to be heard on them. It is, therefore, now proper to proceed to enter a final order in this disciplinary proceeding without a hearing. *See Celane v. Insurance Commissioner*, 415 A.2d 130 (Pa. Cmwlth. 1980).

In its order to show cause, the Bureau first charged that Respondents violated section 201 of the 1972 Act<sup>5</sup> by offering for sale and selling CE Fund 4 Units that were not registered with the Department or exempt from registration.

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<sup>5</sup> Section 201. Registration requirement.

It is unlawful for any person to offer or sell any security in this State unless the security is registered under this act, the security or transaction is exempted under section 202 or 203 hereof or the security is a federally covered security.

70 P.S. § 1-201.

As established by the facts deemed admitted, Respondent CE Fund 4 was offering for sale units of interest in CE Fund 4. Respondent CE Fund 4 was the "issuer," the Units were "securities," and Respondent CEG and Respondent Milles were "affiliates" as those terms are defined in section 102 of the 1972 Act.<sup>6</sup> Respondent CE Fund 4 purportedly acquired working interest and net revenue interests in Texas oil development wells. From October 2013 through April 2015 Respondent CE Fund 4 offered and sold Units to at least 3 Pennsylvania residents for an aggregate amount of at least \$175,752. However, the Units were not registered with the Department or exempt from registration under section 202 of the 1972 Act. As managing general partner of Respondent CE Fund 4, Respondent CEG caused Respondent CE Fund 4 to engage in these acts; as chief executive officer of Respondent CEG, Respondent Milles caused Respondent CEG to do so. By these actions, Respondents violated § 1-201 of the 1972 Act by offering for sale

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<sup>6</sup> Section 102. Definitions.

When used in this act, the following definitions shall be applicable, unless the context otherwise requires:

\* \* \*

(b) An "affiliate" of, or a person "affiliated" with, a specified person, means a person that directly, or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with, the person specified.

\* \* \*

(l) "Issuer" means any person who issues or proposes to issue any security, and any promoter who acts for an issuer proposed to be formed. ...

\* \* \*

(t) "Security" means any note; stock; treasury stock; bond; debenture; evidence of indebtedness; share of beneficial interest in a business trust; certificate of interest or participation in any profit-sharing agreement; collateral trust certificate; preorganization certificate or subscription; transferable share; investment contract; voting trust certificate; certificate of deposit for a security; limited partnership interest, fractional undivided interest in oil, gas or other mineral rights; put, call, straddle, option or privilege on a security, certificate of deposit of a security or group or index of securities, including any interest in the securities or based upon the value of the securities, or any put, call, straddle, option or privilege entered into on a national securities exchange relating to foreign currency; membership interest in a limited liability company of any class or series, including any fractional or other interest in such interest, unless excluded by clause (v); or, in general, any interest or instrument commonly known as a "security"; or any certificate of interest or participation in, temporary interim certificate for, receipt for, guarantee of, or warrant or right to subscribe to or purchase, any of the foregoing. All of the foregoing are securities whether or not evidenced by written document. ...

\* \* \*

or selling securities in this state that are not registered or exempt from registration.

The Bureau also charged in its order to show cause that Respondents violated section 401(b) of the 1972 Act, 70 P.S. § 1-401(b),<sup>7</sup> by making untrue or misleading statements and violated section 401(c) of the 1972 Act by engaging in acts that operated as a fraud or deceit.

As further established by the facts deemed admitted, in offering for sale or selling the Units to Pennsylvania residents, Respondent CE Fund 4 failed to disclose to the Customers material information including: the financial condition of Respondent CE Fund 4 and Respondent CEG; the financial risk of investing in the Units; the identity and relevant background of the corporate officers of Respondent CE Fund 4 and Respondent CEG; and the operating history of Respondent CE Fund 4 and Respondent CEG. Again, Respondent CEG caused Respondent CE Fund 4 to engage in these acts, and Respondent Milles caused Respondent CEG to do so. By failing to disclose this material information in connection with the offer or sale of this security, Respondents violated section 401(b) of the 1972 Act. Because Respondent CE Fund 4 has been unable to fulfill its financial obligations and has defaulted on payments for these securities, these misrepresentations of material fact would operate as a fraud or deceit upon the Customers who have invested. Respondents have also violated section 401(c) of the 1972 Act.

The facts deemed admitted have established the Bureau's case, and the remaining question is the appropriate sanction. For his willful violations of the 1972 Act, Respondent Milles is subject

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<sup>7</sup> Section 401. Sales and purchases.

It is unlawful for any person, in connection with the offer, sale or purchase of any security in this State, directly or indirectly:

- (a) To employ any device, scheme or artifice to defraud;
- (b) To make any untrue statement of a material fact or to omit 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; or
- (c) To engage in any act, practice or course of business which operates or would operate as a fraud or deceit upon any person.

70 P.S. § 1-401 (emphasis supplied).

to the imposition of sanctions. Under section 512(a) of the 1972 Act, 70 P.S. § 1-512(a),<sup>8</sup> Respondent may be barred from representing an issuer, acting as a promoter, being registered or an affiliate of a registrant or relying upon any exemption from registration. Additionally, the Department may assess costs of investigation or prosecution and impose an administrative assessment (another term for "civil penalty") of up to \$100,000 for each violation of the 1972 Act or any rule issued under it. Section 602.1 of the 1972 Act, 70 P.S. § 1-602.1.<sup>9</sup> Because they have

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<sup>8</sup> **Section 512. Statutory bars.**

(a) After giving notice and opportunity for a hearing, the department, where it has determined that a **person willfully violated this act** or any rule or order thereunder or knowingly aided in the act or transaction constituting such violation, **may issue an order accompanied by written findings of fact and conclusions of law which bars**, conditionally or unconditionally and either permanently or for such period of time as the department shall determine, **such person from:**

- (1) Representing an issuer offering or selling securities in this State;
- (2) Acting as a promoter, officer, director or partner of an issuer (or an individual occupying a similar status or performing similar functions) offering or selling securities in this State or of a person who controls or is controlled by such issuer;
- (3) Being registered as a broker-dealer, agent, investment adviser or investment adviser representative under section 301;
- (4) Being an affiliate of any person registered under section 301; or
- (5) Relying upon an exemption from registration contained in section 202, 203 or 302.

70 P.S. § 1-512(a) (emphasis supplied).

<sup>9</sup> **Section 602.1. Assessments.**

\* \* \*

(b) A registrant, applicant for registration, issuer or other person upon whom the department has conducted an examination, audit, investigation or prosecution and **who has been determined by the department to have violated this act** or rule or order of the department under this act **shall pay for all the costs incurred** in the conduct of such examination, audit, investigation or prosecution. These costs shall include, but not be limited to, the salaries and other compensation paid to clerical, accounting, administrative, investigative, examiner and legal personnel, the actual amount of expenses reasonably incurred by such personnel and the department in the conduct of such examination, audit, investigation or prosecution, including a pro rata portion of the department's administrative expenses.

\* \* \*

(c) After giving notice and opportunity for a hearing, **the department may issue an order accompanied by written findings of fact and conclusions of law which imposes an administrative assessment** in the amounts provided in paragraph (1) against a broker-dealer, agent, investment adviser or investment adviser representative registered under section 301 or an affiliate of any broker-dealer or investment adviser where the department determines that the person within the previous ten years willfully has violated this act or a rule or order of the department under this act or has engaged in dishonest or unethical practices in the securities business; has taken unfair advantage of a customer; or has failed reasonably to supervise its agents or employees or **against any other person if the department determines that the person willfully violated section 301, 401, 404, 406 through 409 or 512(d) or a cease and desist order issued by the department under section 606(c.1).**

not answered the order to show cause, Respondents have presented no facts to mitigate the imposition of a sanction.

Respondents engaged in offering and selling securities in this Commonwealth without being registered to do so. They sold at least \$175,000 of securities to three Customers, but failed to disclose significant material information including: the financial condition of Respondent CE Fund 4 and Respondent CEG; the financial risk of investing in the Units; the identity and relevant background of the corporate officers of Respondent CE Fund 4 and Respondent CEG; and the operating history of Respondent CE Fund 4 and Respondent CEG. This information is extremely

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(1) The department, in issuing an order under this subsection, may impose the administrative assessments set forth below. Each act or omission that provides a basis for issuing an order under this subsection shall constitute a separate violation.

\* \* \*

(ii) In issuing an order against a person for willful violation of section 401(a) or (c), 404, 406, 408, 409 or 512(d) or for willful violation of a cease and desist order issued under section 606(c.1), the department may impose a maximum administrative assessment of up to one hundred thousand dollars (\$100,000) for each act or omission that constitutes a violation of any of those sections. In addition to the foregoing assessment, the department also may impose a special administrative assessment of up to fifty thousand dollars (\$50,000) for each of the provisions described as follows that the department determines are applicable: ...

(iii) In issuing an order against a person for willful violation of section 401(b) or 407, the department may impose an administrative assessment of up to fifty thousand dollars (\$50,000) for each act of the criteria described in subclause (ii)(A) and (C) that the department determines as applicable. No assessment shall be imposed under this subclause if the person is subject to an administrative assessment imposed under any other provision of this subsection.

(2) For purposes of determining the amount administrative assessment to be imposed in an order issued under this subsection the department shall consider:

(i) The circumstances, nature, frequency, seriousness, magnitude, persistence and willfulness of the conduct constituting the violation.

(ii) The scope of the violation, including the number of persons in and out of this Commonwealth affected by the conduct constituting the violation.

(iii) The amount of restitution or compensation that the violator has made and the number of persons in this Commonwealth to whom the restitution or compensation has been made.

(iv) Past and concurrent conduct of the violator that has given rise to any sanctions or judgment imposed by, or pleas of guilty or nolo contendere or settlement with, the department or any securities administrator of any other state or other country, any court of competent jurisdiction, the Securities and Exchange Commission, the Commodity Futures Trading Commission, and other Federal or State agency or any national securities association or national securities exchange as defined in the Securities Exchange Act of 1934 (48 Stat. 881, 15 U.S.C. § 78a et seq.).

(v) Any other factor that the department finds appropriate in the public interest or for the protection of investors and consistent with the purposes fairly intended by the policy and provisions of this act.

\* \* \*

significant in deciding whether to invest. Respondent CE Fund 4 has been unable to fulfill its financial obligations and has defaulted on payments for these securities. Protection of the public demands that Respondents not be permitted to engage in security sales for at least one year and until he has demonstrated to the Commission that he is able to do so without undue risk to the public.

Because the Bureau has not pled any costs incurred in the investigation or prosecution of this matter, those costs may not be assessed against Respondents.

Section 601.1(c)(2) provides guidance in determining the proper amount of an assessment. This matter involves a single security that was sold to three persons for approximately \$175,000. There is no evidence to establish the degree of persistence or willfulness of the conduct. And there is no evidence of other conduct by Respondents. Weighing all these factors, an administrative assessment of \$25,000 is necessary to deter Respondents and other similarly-situated persons from engaging in illegal conduct of this type.

Accordingly, based upon the foregoing discussion, the following proposed order shall issue:

**COMMONWEALTH OF PENNSYLVANIA  
DEPARTMENT OF BANKING AND SECURITIES**

<b>Commonwealth of Pennsylvania,</b>	:	
<b>Department of Banking and Securities,</b>	:	
<b>Bureau of Securities Licensing,</b>	:	
<b>Compliance and Examinations,</b>	:	
<b>Petitioner</b>	:	
	:	
<b>v.</b>	:	<b>Docket No. 180107 (SEC-OSC)</b>
	:	
<b>Cap E Oil Fund #4, LLC,</b>	:	
<b>Capital Energy Group, LLC,</b>	:	
<b>and</b>	:	
<b>William J. Milles,</b>	:	
<b>Respondents</b>	:	

**PROPOSED ORDER**

AND NOW, this 18<sup>th</sup> day of March, 2019, in accordance with the foregoing findings of fact, conclusions of law and discussion, it is **ORDERED** that William J. Milles ("Respondent") shall pay an **ADMINISTRATIVE ASSESSMENT** of \$25,000.00, and effective 30 days after the final order of the Banking and Securities Commission, he shall be **TEMPORARILY BARRED** for at least one year, pursuant to section 512 of the 1972 Act, from:

- a. Representing an issuer offering or selling securities in this State;
- b. Acting as a promoter, officer, director or partner of an issuer (or an individual occupying a similar status or performing similar functions) offering or selling securities in this State or of a person who controls or is controlled by such issuer;
- c. Being registered as a broker-dealer, agent, investment adviser or investment adviser representative under section 301 of the 1972 Act;
- d. Being an affiliate of any person registered under section 301 of the 1972 Act; or,

e. Relying upon an exemption from registration contained in section 202, 203 or 302 of the 1972 Act.

Payment of the administrative assessment shall be by certified check, attorney's check, cashier's check or U.S. Postal Service money order, made payable to the "Commonwealth of Pennsylvania," and shall be delivered within 30 days of the effective date of the Commission's Final Order in this matter, to:

Gerard Mackarevich, Counsel  
Banking and Securities Commission  
Market Square Plaza  
17 N. Second Street, Suite 1300  
Harrisburg, PA 17101

No sooner than one year after the effective date of the Commission's Final Order and after he has paid the assessment in full, Respondent may request that the temporary bar be removed. Respondent must comply with all Commission requirements for removal of the bar.

The Banking and Securities Commission has announced its intention to review this Proposed Report in accordance with 1 Pa. Code § 35.226(a)(2).

**BY ORDER:**

Redacted

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**Thomas A. Blackburn**  
**Hearing Examiner**

*For the Bureau:*

John Chiapetta, Esquire  
Assistant Counsel  
GOVERNOR'S OFFICE OF GENERAL COUNSEL  
DEPARTMENT OF BANKING AND SECURITIES  
301 Fifth Avenue, Suite 290  
Pittsburgh, PA 15222

*Respondents:*

Cap E Oil Fund #4, LLC  
2802 Flintrock Trace, Suite 201  
Austin, TX 78738

Capital Energy Group, LLC  
2802 Flintrock Trace, Suite 201  
Austin, TX 78738

William J. Milles  
Redacted  
Redacted

*Docket Clerk:*  
*(w/ original)*

Linnea Freeberg  
DEPARTMENT OF BANKING AND SECURITIES  
17 North Second Street, Suite 1300  
Harrisburg, PA 17101

*Date of mailing:*

3/18/19

COMMONWEALTH OF PENNSYLVANIA  
DEPARTMENT OF BANKING AND SECURITIES

FILED

2019 MAR 20 AM 9:41

COMMONWEALTH OF PENNSYLVANIA,  
DEPARTMENT OF BANKING AND  
SECURITIES, BUREAU OF SECURITIES  
COMPLIANCE AND EXAMINATIONS

PETITIONER,

v.

CAP E OIL FUND #4, LLC  
CAPITAL ENERGY GROUP, LLC  
AND WILLIAM J. MILLES

RESPONDENTS

Docket No. 180107 (SEC-OSC)

PA DEPARTMENT OF  
BANKING AND SECURITIES

CERTIFICATE OF SERVICE

I hereby certify that on March 20<sup>th</sup>, 2019, I served a true and correct copy of the attached Letter and Proposed Report in accordance with the requirements of 1 Pa. Code § 33.31 (relating to service by agency), in the manner indicated below:

**By United States First Class Mail:**

John Chiappetta, Esquire  
Assistant Counsel  
Commonwealth of Pennsylvania  
Department of Banking and Securities  
301 5<sup>th</sup> Avenue, Suite 290  
Pittsburgh, PA 15222

**By United States First Class Mail:**

Cap E Oil Fund #4, LLC  
2802 Flintrock Trace, Suite 201  
Austin, TX 78738

Capital Energy Group, LLC  
2802 Flintrock Trace, Suite 201  
Austin, TX 78738

William J. Milles  
Redacted  
Redacted

By:

Redacted

Linnea Freeberg, Docket Clerk  
PA Department of Banking and Securities  
17 North Second Street, Suite 1300  
Harrisburg, Pennsylvania 17101

FILED

COMMONWEALTH OF PENNSYLVANIA  
DEPARTMENT OF BANKING AND SECURITIES

MAY -2 AM 9:47

COMMONWEALTH OF PENNSYLVANIA	:	PA DEPARTMENT OF
DEPARTMENT OF BANKING AND	:	BANKING AND SECURITIES
SECURITIES, BUREAU OF SECURITIES	:	
COMPLIANCE AND EXAMINATIONS	:	
	:	DOCKET No. 180107 (SEC-OSC)
v.	:	
	:	
CAP E OIL FUND #4, LLC	:	
CAPITAL ENERGY GROUP, LLC	:	
WILLIAM J. MILLES	:	

CERTIFICATE OF SERVICE

On behalf of the agency, I certify that I have this day caused to be served a copy of the foregoing *Final Order* upon the following persons pursuant to 1 Pa. Code §§ 33.31:

BY CERTIFIED AND FIRST-CLASS MAIL:

BY ELECTRONIC MAIL:

Cap E Oil Fund #4, LLC  
2802 Flintrock Trace, Suite 201  
Austin, TX 78738

John Chiappetta, Assistant Counsel  
Commonwealth of Pennsylvania  
Department of Banking and Securities  
301 5<sup>th</sup> Avenue, Suite 290  
Pittsburgh, PA 15222  
*Counsel for the Bureau of Securities  
Compliance and Examinations*

Capital Energy Group, LLC  
2802 Flintrock Trace, Suite 201  
Austin, TX 78738

William J. Milles  
Redacted  
Redacted

Dated this 2<sup>nd</sup> day of May, 2019

Redacted

Linnea Freeberg, Docket Clerk  
PA Banking and Securities Commission  
17 N. 2nd Street, Suite 1300  
Harrisburg, PA 17101  
Telephone: (717) 787-5783