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COMMONWEALTH OF PENNSYLVANIA 2023 MAR -7 AM 11:19  
DEPARTMENT OF BANKING AND SECURITIES

PA DEPARTMENT OF  
BANKING AND SECURITIES

COMMONWEALTH OF PENNSYLVANIA	:	
DEPARTMENT OF BANKING AND	:	
SECURITIES, BUREAU OF SECURITIES	:	
COMPLIANCE AND EXAMINATIONS	:	Docket No. : 220046 (SEC-OSC)
	:	
v.	:	
	:	
CAPITAL ENERGY RESOURCES, LLC	:	
CAPITAL ENERGY RESOURCES, LP-7	:	
THOMAS COLM MCWILLIAMS	:	
ROBERT STROUD <sup>1</sup>	:	

**CONSENT AGREEMENT AND ORDER**

The Commonwealth of Pennsylvania, acting through the Department of Banking and Securities ("Department"), Bureau of Securities Compliance and Examinations ("Bureau"), has conducted an investigation of the business practices of Capital Energy Resources, LLC ("Capital Energy"), Capital Energy Resources, LP-7 ("Capital Energy LP-7"), and Thomas Colm McWilliams ("McWilliams"). Based on the results of its investigation, the Bureau has concluded that Capital Energy, Capital Energy LP-7 and McWilliams have operated in violation of the Pennsylvania Securities Act of 1972, 70 P.S. § 1-101 *et seq.* ("1972 Act"). Capital Energy, Capital Energy LP-7 and McWilliams, in lieu of litigation, and without admitting or denying the allegations herein, and intending to be legally bound, hereby agrees to the terms of this Consent Agreement and Order ("Order").

<sup>1</sup> This Consent Agreement and Order is only applicable to Capital Energy Resources, LLC, Capital Energy Resources, LP-7, and Thomas Colm McWilliams.

## BACKGROUND

1. The Department is the Commonwealth of Pennsylvania's administrative agency authorized and empowered to administer and enforce the 1972 Act.
2. The Bureau is primarily responsible for administering and enforcing the 1972 Act for the Department.
3. Capital Energy Resources, was at all material times herein, a Pennsylvania limited liability company with an address at 240 West 11<sup>th</sup> Street, Suite 401, Erie, Pennsylvania 16501.
4. Capital Energy LP-7, was at all material times herein, an Ohio limited partnership with an address at 240 West 11<sup>th</sup> Street, Suite 401, Erie, Pennsylvania 16501.
5. Capital Energy is the managing general partner of Capital Energy LP-7.
6. McWilliams, CRD # 2314632, was, at all material times herein, an individual with addresses at 240 West 11<sup>th</sup> Street, Suite 401, Erie, Pennsylvania 16501 and Redacted Redacted, and had control over Capital Energy and Capital Energy LP-7.
7. From in or about February 2014 through at least April 2015, Capital Energy LP-7 offered for sale partnership units in Capital Energy LP-7 ("LP-7 Units") to investors.
8. From in or about February 2014 through April 2015, McWilliams offered and sold at least 49 LP-7 Units to at least 16 investors ("LP-7 Investors") within the United States for an aggregate amount of at least \$2,475,000.
9. The LP-7 Units described above are "securities" within the meaning of Section 102(t) of the 1972 Act, 70 P.S. §1-102(t).
10. Capital Energy LP-7 is the "issuer" of the LP-7 Units within the meaning of Section 102(l) of the 1972 Act, 70 P.S. §1-102(l).

11. The LP-7 Units were not: (a) registered under Section 201 of the 1972 Act, 70 P.S. §-201; (b) exempt for registration under Section 202 of the 1972 Act, 70 P.S. §1-202; (c) federally covered securities under Section 211 of the 1972 Act, 70 P.S. §1-211; and further (d) the offer relating to the LP-7 Units was not exempt under Section 203 of the 1972 Act, 70 P.S. §1-203.

12. From in or about December 2014 through April 2015, Robert Stroud ("Stroud") offered and sold LP-7 Units to at least 4 PA LP-7 Investors.

13. Stroud represented Capital Energy LP-7 in effecting or attempting to effect purchases or sales of the LP-7 Units in Pennsylvania.

14. Stroud was neither registered pursuant to Section 301(a) of the 1972 Act, 70 P.S. §1-301(a), nor exempt from registration.

15. Capital Energy LP-7 failed to provide some or all the LP-7 Investors with financial statements regarding Capital Energy LP-7, and to the extent that Capital Energy LP-7 did not have disclosure documents, Capital Energy LP-7 failed to disclose their nonexistence which would have been material for a reasonable investor to make an informed investment decision.

16. In connection with the purchase of LP-7 Units, Capital Energy LP-7 omitted to disclose the following material facts to some or all of the LP-7 Investors:

- a. The financial condition of McWilliams and Capital Energy LP-7;
- b. The financial risk of the LP-7 Units;
- c. McWilliams' and Capital Energy LP-7's operating history; and
- d. Judgments and liens filed against McWilliams, from November 2005 until January 2015, which amounted to liabilities in the aggregate amount of at least \$947,085.

## **VIOLATION**

17. By engaging in the acts and conduct set forth in paragraphs 3 through 11 above, Capital Energy, Capital Energy LP-7 and McWilliams offered and sold the LP-7 Units to Pennsylvania residents in violation of Section 201 of the 1972 Act, 70 P.S. § 1-201.

18. By engaging in the acts and conduct set forth in paragraphs 3 through 14 above, Capital Energy LP-7 employed at least one unregistered agent to represent it in Pennsylvania in wilful violation of Section 301(b) of the 1972 Act, 70 P.S. § 1-301(b).

19. By engaging in the acts and conduct set forth in paragraphs 3 through 16 above, Capital Energy, Capital Energy LP-7 and McWilliams, in connection with the offer and sale of the LP-7 Units, omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading, in wilful violation of Section 401(b) of the 1972 Act, 70 P.S. § 1-401(b).

## **RELIEF**

20. Pursuant to the authority in Section 512(a)(1), (2), (3), (4) and (5) of the 1972 Act, 70 P.S. § 1-512(a)(1),(2), (3), (4), and (5), the Department hereby PERMANENTLY BARS Capital Energy Resources, LLC, Capital Energy Resources, LP-7, and Thomas Colm McWilliams commencing upon the EFFECTIVE DATE of this Order from:

- a. Representing an issuer offering or selling securities in this State;
- b. Acting as promoter, officer, director, or partner of an issuer (or an individual occupying a similar status or performing a similar functions) offering or selling securities in this State;
- 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 contain in Section 202, 203, or 302 of the 1972 Act.

21. Capital Energy, Capital Energy LP-7 and McWilliams shall pay the Department an administrative assessment in the amount of \$45,000.00. Payment shall be made by certified check or money order made payable to the "Department of Banking and Securities" and shall be mailed or delivered in person to the Bureau of Securities Compliance and Examinations located at 17 North Second Street, Suite 1300, Harrisburg, PA 17101.

22. The administrative assessment shall be paid as follows:

- a. \$5,625.00 on or before July 15, 2023;
- b. \$5,625.00 on or before October 15, 2023;
- c. \$5,625.00 on or before January 15, 2024;
- d. \$5,625.00 on or before April 15, 2024;
- e. \$5,625.00 on or before July 15, 2024;
- f. \$5,625.00 on or before October 15, 2024;
- g. \$5,625.00 on or before January 15, 2025; and
- h. \$5,625.00 on or before April 15, 2025.

23. Capital Energy, Capital Energy LP-7 and McWilliams are ORDERED to comply with the 1972 Act, and Regulations adopted by the Department, and in particular Sections 201, 301(b), and 401(b) of the 1972 Act, 70 P.S. § 1-201, 1-301(b), 1-401(b).

24. Should Capital Energy, Capital Energy LP-7 and McWilliams fail to pay the assessment as set forth in paragraphs 21 and 22 above, the sanctions set forth elsewhere in the Order shall continue in full force and effect until full payment is made. However, this provision

shall not be construed as affording Capital Energy, Capital Energy LP-7 and McWilliams the option of either paying the assessment or being indefinitely subject to the sanctions.

25. Should Capital Energy, Capital Energy LP-7 and McWilliams fail to comply with any and/or all provisions of this Order, the Department may impose additional sanctions and costs and seek other appropriate relief subject to Capital Energy's, Capital Energy LP-7's and McWilliams's rights to a hearing pursuant to the 1972 Act.

#### FURTHER PROVISIONS

26. Consent. Capital Energy, Capital Energy LP-7 and McWilliams hereby knowingly, willingly, voluntarily and irrevocably consent to the entry of this Order pursuant to the Bureau's authority under the 1972 Act and agrees that they understand all of the terms and conditions contained herein. Capital Energy, Capital Energy LP-7 and McWilliams, by voluntarily entering into this Order, waive any right to a hearing or appeal concerning the terms, conditions, and/or penalties set forth in this Order.

27. Entire Agreement. This Order contains the entire agreement between the Department and Capital Energy, Capital Energy LP-7 and McWilliams. There are no other terms, obligations, covenants, representations, statements, conditions, or otherwise, of any kind whatsoever concerning this Order. This Order may be amended in writing by mutual agreement by the Department and Capital Energy, Capital Energy LP-7 and McWilliams.

28. Binding Nature. The Department, Capital Energy, Capital Energy LP-7 and McWilliams, and all officers, owners, directors, employees, heirs and assigns of Capital Energy, Capital Energy LP-7 and McWilliams intend to be and are legally bound by the terms of this Order.

29. Counsel. This Order is entered into by the parties upon full opportunity for legal advice from legal counsel.

30. Effectiveness. Capital Energy, Capital Energy LP-7 and McWilliams hereby stipulates and agrees that the Order shall become effective on the date the Bureau executes the Order (“Effective Date”).

31. Other Enforcement Action.

(a) The Department reserves all of its rights, duties, and authority to enforce all statutes, rules, and regulations under its jurisdiction against Capital Energy, Capital Energy LP-7 and McWilliams in the future regarding all matters not resolved by this Order.

(b) Capital Energy, Capital Energy LP-7 and McWilliams acknowledge and agree that this Order is only binding upon the Department and not any other local, state or federal agency, department, or office regarding matters within this Order.

32. Authorization. The parties below are authorized to execute this Order and legally bind their respective parties.

33. Counterparts. This Order may be executed in separate counterparts, by facsimile and/or by PDF.

34. Titles. The titles used to identify the paragraphs of this document are for the convenience of reference only and do not control the interpretation of this document.

35. Finding. The Department finds that it is necessary and appropriate in the public interest and for the protection of investors, and consistent with the purposes fairly intended by the policy and provisions of the 1972 Act to issue this Order.

**WHEREFORE**, in consideration of the foregoing, including the recital paragraphs, the Commonwealth of Pennsylvania, Department of Banking and Securities, Bureau of Securities Compliance and Examinations and Capital Energy Resources, LLC, Capital Energy Resources,

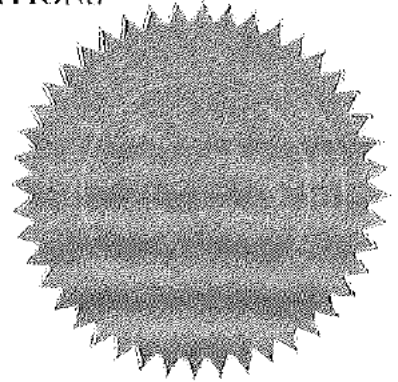
LP-7, and Thomas Colm McWilliams intending to be legally bound, do hereby execute this Consent Agreement and Order.

**FOR THE COMMONWEALTH OF PENNSYLVANIA  
DEPARTMENT OF BANKING AND SECURITIES  
BUREAU OF SECURITIES COMPLIANCE AND EXAMINATIONS**

Redacted

Eric Pistilli, Deputy Secretary for Securities

Date: 03/07/2023



**CAPITAL ENERGY RESOURCES, LLC**

Redacted

(Signature)

Thomas Colm McWilliams (CEO)

(Print Officer Name)

Date: 3/3/23

**CAPITAL ENERGY RESOURCES LP-7**

Redacted

(Signature)

Thomas Colm McWilliams (CEO of the member company, Capital Energy Resources, LLC)

(Print Officer Name)

Date: 3/3/23



THOMAS COLM MCWILLIAMS

Redacted

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(Signature)

Date: 3/3/23

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PA DEPARTMENT OF  
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Docket No. : 220046 (SEC-OSC)

v.

CAPITAL ENERGY RESOURCES, LLC  
CAPITAL ENERGY RESOURCES, LP-7  
THOMAS COLM MCWILLIAMS  
ROBERT STROUD

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a copy of the foregoing *Consent Agreement and Order* upon the parties below, who constitute the only parties of record in this proceeding, in accordance with the requirements of 1 Pa. Code §§ 33.35, 33.36 and 33.37:

FIRST CLASS AND ELECTRONIC MAIL:

Capital Energy, Capital Energy Resources LP-7,  
and Thomas McWilliams  
c/o McNees Wallace & Nurick LLC  
Sarah Hyser-Staub, Esquire  
100 Pine Street  
Harrisburg, PA 17101

Dated this 9<sup>th</sup> day of March, 2023

Redacted

Seamus D. Dubbs, Esq.  
Assistant Counsel  
Attorney I.D. # 91147  
Office of Chief Counsel  
FOR: Commonwealth of Pennsylvania  
Department of Banking and Securities  
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