

STATE OF ILLINOIS
SECRETARY OF STATE
SECURITIES DEPARTMENT

IN THE MATTER OF: WILLIAM J. MILLES &
DONALD J. LUTZKO &
CAPITAL ENERGY GROUP, LLC

)
) FILE NO. 1600748
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)
)

FINAL ORDER OF PROHIBITION

TO RESPONDENTS:

William J. Milles
669 Hostman Avenue
Warminster, PA 18974-2428

1900 Frontage Rd. Apt. 1207
Cherry Hill, NJ 08034-2215

Donald J. Lutzko
2-36 Glen Manor Dr.
Mail Box 3
Toronto, ON
M4E 2X2

Capital Energy Group, LLC.
P.O Box 2253
Warminster, PA 18974

WHEREAS, a Temporary Order of Prohibition was issued by the Illinois Secretary of State on January 22, 2019, temporarily prohibiting the Respondents from offering or selling securities in the State of Illinois for a maximum period of ninety (90) days.

WHEREAS, pursuant to §11(F)(2) of the Illinois Securities Law of 1953 [815 ILCS 5/1 *et. seq.*] (the "Act"), the failure to request a hearing within thirty (30) calendar days of the entry of a Temporary Order of Prohibition shall constitute an admission of any facts alleged therein and constitute a sufficient basis to make the Temporary Order final.

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WHEREAS, Respondents WILLIAM J. MILLES, DONALD J. LUTZKO, AND CAPITAL ENERGY GROUP, LLC, have failed to request a hearing on the matters contained in the Temporary Order of Prohibition within thirty (30) calendar days of the entry of said Temporary Order and the Respondents are hereby deemed to have admitted the facts alleged in the said Temporary Order.

WHEREAS, the Secretary of State, by and through his duly authorized representative, has adopted the Findings of Fact contained in said Temporary Order as the Secretary of State's Findings of Fact as follows:

1. Respondent William J. Milles ("Milles") is the Chief Executive Officer and a Managing Member of Respondent Capital Energy Group, LLC. Respondent Milles' last known address is 1900 Frontage Road, Apt. 1207, Cherry Hill, NJ 08034-2215.
2. Respondent Donald Lutzko ("Lutzko") is President and a Managing Member of Capital Energy Group, LLC. Respondent Lutzko's last known e-mail address of admin@capitalenergygroup.com
3. Respondent Capital Energy Group, LLC ("CEG") is registered in the State of Delaware. Respondent CEG's most recently provided address to the Illinois Securities Department is P.O. Box 2253, Warminster, PA 18974 and the last known physical address for Respondent CEG is 2802 Flintrock Trace #201, Austin, TX 78738.
4. At all relevant times, Respondents Milles and Lutzko's actions, as described below, were done as principles and agents of Respondent CEG.
5. In or around February 2014, investor AK invested around \$10,000 in Cap E Oil Fund #1 L.L.P. ("CAP 1") and in or around February 2015 invested around \$14,500 in Cap E Oil Fund #3 L.L.P. ("CAP 3").
6. In or around March 2013, investor RK invested around \$25,000 in CAP 1, and in or around October 2014 invested around \$34,296 in CAP 3.
7. In or around January 2016, investors LW & JW invested around \$58,334 in CAP 3
8. The business objective of CAP 1 was to acquire fractional undivided working interests and a net revenue interest in four development wells in the State of Oklahoma
9. The business objective of CAP 3 was to acquire fractional undivided working interests and a net revenue interest in four development wells in the State of Texas.

COUNT 1

EMPLOYING A SCHEME TO DEFRAUD IN CONNECTION WITH THE SALE OF A SECURITY (CAP 1)

10. In return for their investments in CAP 1, investors AK and RK each received a certain number of partnership units in CAP 1 which entitled them to a pro rata share of net distributable cash that CAP 1 would receive from monthly revenue distributions from the wells' oil and gas sales.
11. However, Parish Petroleum Company, the oil operator for the wells in CAP 1, never distributed, provided, or sent, any funds, profits, revenues, or any other form of payment to Respondent Capital Energy Group, LLC, or CAP 1.
12. Nonetheless, investor AK received \$7,234 back from his investment and investor RK received \$ 6,935 back from his investment in CAP 1.
13. Much of the money paid to investors AK and RK came directly from prior investments made by other investors' in CAP 1.
14. Furthermore, the PPM states that Respondent CEG may form other similar partnerships like CAP 1. However, the PPM stated that "investors in this Partnership will not share in any of the income or losses of such other partnerships". Nonetheless, much of the "profits" earned by investors AK and RK, in addition to coming from other investors in CAP 1, also came from other investments and partnerships managed by Respondent CEG.
15. In addition to commingling profits Respondent Milles received around \$268,930.30 in compensation from a central account for Respondent CEG which commingled funds between all of Respondent CEG's investment funds, including from CAP 1.
16. Respondent Lutzko also received around \$123,013 in compensation from a central bank account for Respondent CEG which commingled funds between all of Respondent CEG's investment funds, including from CAP 1.
17. §12(F) of the Illinois Securities Act, 815 ILCS 5/ ("the Act") makes it a violation to engage in any transaction, practice or course of business in connection with the sale or purchase of securities which works or tends to work a fraud or deceit upon the purchaser or seller thereof.
18. §12(G) of the Act makes it a violation to, *inter alia*, obtain money or property through the sale of securities by means of any untrue statement of a material fact
19. §12(H) of the Act prohibits, *inter alia*, the circulation of any statement or other paper or document pertaining to any security knowing or having reasonable grounds to know any material representation therein contained to be false or untrue.

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20. §12(I) of the Act makes it a violation to employ any device, scheme or artifice to defraud in connection with the sale or purchase of any security, directly or indirectly.
21. By virtue of the foregoing, Respondents violated §§12(F)(G)(H), and (I) of the Act.

COUNT II

EMPLOYING A SCHEME TO DEFRAUD IN CONNECTION WITH THE SALE OF A SECURITY (CAP 3)

22. In return for their investments in CAP 3, investors AK, RK, and LW & RW each received a certain number of partnership units in CAP 3 which entitled them to a pro rata share of net distributable cash that CAP 3 would receive from monthly revenue distributions from the wells' oil and gas sales.
23. However, Fortune Oil Company, the oil operator for the wells in CAP 3, never distributed, provided, or sent, any funds, profits, revenues, or any other form of payment to Respondent CEG or CAP 3.
24. Nonetheless, investor AK received \$3,977 back from his investment in CAP 3, investor RK received \$ 2,073 back from his investment in CAP 3, and investors LW & JW received \$0 back from their investment in CAP 3.
25. Much of the money paid to investors AK, RK, and LW & JW came directly from prior investments made by other investors' in CAP 3.
26. Furthermore, the PPM states that Respondent CEG may form other similar partnerships like CAP 3. However, the PPM stated that "investors in this Partnership will not share in any of the income or losses of such other partnerships". Nonetheless, much of the "profits" earned by investors AK, RK, and LW & JW, in addition to coming from other investors in CAP 3, also came from other investments and partnerships managed by Respondent CEG.
27. In addition to commingling profits Respondent Milles received around \$268,930.30 in compensation from a central account for Respondent CEG which commingled funds between all of Respondent CEG's investment funds, including from CAP 3.
28. Respondent Lutzko also received around \$123,013 in compensation from a central bank account for Respondent CEG which commingled funds between all of Respondent CEG's investment funds, including from CAP 3.
29. Additionally, Phillip J. Lutzko, another Executive of Respondent CEG, also received around \$75,425.50 in compensation from a central account for Respondent CEG which commingled funds between all of Respondent CEG's investment funds, including from CAP 1.

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30. §12(F) of the Act makes it a violation to engage in any transaction, practice or course of business in connection with the sale or purchase of securities which works or tends to work a fraud or deceit upon the purchaser or seller thereof.
31. §12(G) of the Act makes it a violation to, *inter alia*, obtain money or property through the sale of securities by means of any untrue statement of a material fact
32. §12(H) of the Act prohibits, *inter alia*, the circulation of any statement or other paper or document pertaining to any security knowing or having reasonable grounds to know any material representation therein contained to be false or untrue.
33. §12(J) of the Act makes it a violation to employ any device, scheme or artifice to defraud in connection with the sale or purchase of any security, directly or indirectly.
34. By virtue of the foregoing, Respondents violated §§12(F)(G)(H), and (I) of the Act.

COUNT III

UNTRUE STATEMENTS MADE IN OBTAINING MONEY THROUGH THE SALE OF
SECURITIES (PPM-CAP 1)

A. Partnership Agreements

35. In a Private Placement Memorandum for CAP 1 issued to at least AK, Respondents Milles and Lutzko stated that "Capital Energy Group, LLC, has entered into a farmout agreement which allows for the participation in the proposed four (4) wells with Parish Petroleum." Furthermore, it was stated in the PPM that

"The Managing General Partner is entering into a Well Operator Agreement with the Parish Petroleum Company"

"The Well Operator Agreement governs: (i) the exploration and development of oil, gas and mineral leases, (ii) the interests it covers, (iii) the responsibilities of the Operator, (iv) the expenditures and liability of the Operator and the nonoperators, (v) the payment of royalties, and (vi) the procedures for exploration, drilling and development, among other matters..."

"The Operator is required to collect all revenues from the sale of any oil and gas production, if any, attributable to the Working Interest held by the Partners and pay

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the revenues directly, less operating costs, to the Managing General Partner for further credit to the Partners.”

36. An American Association of Petroleum Landman Model Form 610 Operating Agreement, which set out how all money would be spent on which wells and govern the operation of each lease in which Respondents were planning to invest in, was prepared in or around October 2013 and ready for Respondents Milles and Lutzko to sign.
37. Despite what the PPM stated, and despite the opportunity to have signed an agreement with Parish Petroleum Company, Respondents Milles and Lutzko refused to sign anything, nor did anyone else from Respondent CEG.
38. Therefore, neither CEG nor CAP 1 had ever entered into any kind of formal contract or agreement with Parish Petroleum Company, including an agreement to engage in any drilling or oil production activities, except for a simple pledge of confidentiality regarding Respondents plans to drill and develop oil leases.
39. It was a material misstatement by Respondents Milles and Lutzko to investors AK and RK to assert that a “Well Operating Agreement” had been signed when in actuality none had been signed. Furthermore, not disclosing to investors AK and RK that an agreement had been prepared, but which Respondents Milles and Lutzko refused to sign, constitutes an omission of a material fact necessary in order to make the statements made about the efforts to enter into the Well Operating Agreement, not misleading.
40. §12(G) of the Act states that it is a violation 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 the light of the circumstances under which they were made, not misleading.
41. By virtue of the foregoing, Respondents have violated §12(G) of the Act.

B. False Claims of Federal Exemptions

42. Neither Defendant CEG, nor CAP 1 were ever registered with the SEC under *any* federal regulations.
43. In the same Private Place Memorandum for CAP 1, Respondents Milles and Lutzko stated that they were relying upon Federal securities exemptions provided under 17 C.F.R. §230.505.
44. 17 C.F.R. §230.505(b) stated that “to qualify for exemption under this section, offers and sales must satisfy the terms and conditions of... §230.502.”

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45. §230.502(b)(2)(i)(A) required Respondents Milles and Lutzko to provide "the same kind of information as required in Part I of a registration statement filed under the Securities Act [Securities Act of 1933] on the form that the issuer would be entitled to use."
46. Pursuant to SEC Rules, regulatory statements require the furnishing of information regarding executive compensation as prescribed under 17 C.F.R. §229.402 of Regulation S-K
47. To qualify for 505(B) exemption, Respondents Milles and Lutzko were required to file clear, concise, and understandable disclosures of all compensation awarded to, earned by, or paid to, all individuals serving as Respondent CEG's principle executive officers or to individuals acting in a similar capacity during the last completed fiscal year regardless of compensation level.
48. Specifically, §229.402(n)(2)(i)-(iii), *inter alia*, required that the name of the executive officers, the fiscal year covered, and the dollar value of base salary earned by the named executive officer during the fiscal year covered be provided.
49. Alternatively, §229.402(n)(2)(ix)(A) required that all perquisites and other personal benefits over \$10,000 be reported, while § 229.402(o)(7) required further narratives necessary for an understanding of the information disclosed in §229.402(n)(2)(ix)(A) to also be provided.
50. Instead of following either of these requirements, Respondents Milles and Lutzko simply listed, under a "Use of Proceeds" section on the Private Placement Memorandum, that "General Overhead" costs would be \$257,400, or 10% of expenses, and "Securities, Accounting" costs would be \$137,700, or 5% of expenses without specifying which fiscal years those payments were for.
51. Respondent Milles received around \$1,395 in compensation directly from the bank account of CAP 1.
52. Respondent Lutzko received around \$106,163.70 in compensation from the bank account of CAP 1.
53. Respondents Milles and Lutzko, collectively, received around an additional \$151,526.50 between the two of them from the bank account of CAP 1.
54. Respondents Milles and Lutzko paying themselves and Phillip Lutzko a salary, and listing their "Use of Proceeds" is not in compliance with Regulation 17 C.F.R. §230.505, therefore making the statement that the offering was 17 C.F.R. §230.505 compliant false.
55. §12(G) of the Act states that it is a violation to obtain money or property through the sale of securities by means of any untrue statement of a material fact or any omission

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to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading.

56. By virtue of the foregoing. Respondents have violated §12(G) of the Act.

C. False Claims Relating to Estimated Production

57. Within the same Private Placement Memorandum. Respondents Milles and Lutzko stated that between the four wells to be drilled, an estimated 225,000 to 250,000 barrels of oil were recoverable.

58. William Parish of Parish Petroleum, the operator of the CAP 1 oil wells and an oil operator with over 10 years of working knowledge of the area that was to be drilled in CAP 1, states that there is no foundation for such a statement, asserting that "There is no private geological appraisal to support the contention that there are 200,000 bbls of recoverable oil from these tracts."

59. §12(G) of the Act states that it is a violation 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 the light of the circumstances under which they were made, not misleading.

60. By virtue of the foregoing. Respondents have violated §12(G) of the Act.

COUNT IV

UNTRUE STATEMENTS MADE IN OBTAINING MONEY THROUGH THE SALE OF SECURITIES (PPM-CAP 3)

A. False Claims of Federal Exemptions

61. Neither Defendant CFG, nor CAP III were ever registered with the SEC under *any* federal regulations.

62. In the Private Place Memorandum for CAP 3 issued to at least AK and DW & LW, Respondents Milles and Lutzko stated that they were relying upon Federal securities exemptions provided under 17 C.F.R. §230.505.

63. 17 C.F.R. §230.505(b) stated that "to qualify for exemption under this section, offers and sales must satisfy the terms and conditions of... §230.502."

64. §230.502(b)(2)(i)(A) required Respondents Milles and Lutzko to provide "the same kind of information as required in Part I of a registration statement filed under the Securities Act [Securities Act of 1933] on the form that the issuer would be entitled to use."

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65. Pursuant to SEC Rules, regulatory statements require the furnishing of information regarding executive compensation as prescribed under 17 C.F.R. §229.402 of Regulation S-K
66. To qualify for 505(B) exemption, Respondents Milles and Lutzko were required to file clear, concise, and understandable disclosures of all compensation awarded to, earned by, or paid to, all individuals serving as Respondent CEG's principle executive officers or to individuals acting in a similar capacity during the last completed fiscal year regardless of compensation level.
67. Specifically, §229.402(n)(2)(i)-(iii), *inter alia*, required that the name of the executive officers, the fiscal year covered, and the dollar value of base salary earned by the named executive officer during the fiscal year covered be provided.
68. Alternatively, §229.402(n)(2)(ix)(A) required that all perquisites and other personal benefits over \$10,000 be reported, while § 229.402(o)(7) required further narratives necessary for an understanding of the information disclosed in §229.402(n)(2)(ix)(A) to also be provided.
69. Instead of following either of these requirements, Respondents Milles and Lutzko simply listed, under a "Use of Proceeds" section on the Private Placement Memorandum, that "General Overhead" costs would be \$233,036, or 10% of expenses, and "Securities Accounting" costs would be \$116,518, or 5% of expenses without specifying which fiscal years those payments were for.
70. Respondent Milles received around \$18,000 in total compensation from the CAP 3 bank account.
71. Respondent Donald J. Lutzko received around \$76,000 in total compensation from the CAP 3 bank account.
72. Between Respondents Milles and Lutzko, they also withdrew around a total of an additional \$5,128 from CAP III between the two of them.
73. Additionally, Phillip J. Lutzko, another Executive of Respondent CEG, received around \$8,300 in total compensation from the CAP 3 bank account.
74. Respondents Milles and Lutzko paying themselves and Phillip Lutzko a salary, and listing their "Use of Proceeds" is not in compliance with Regulation 17 C.F.R. §230.505, therefore making the statement that the offering was 17 C.F.R. §230.505 compliant false.
75. §12(G) of the Act states that it is a violation 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 the light of the circumstances under which they were made, not misleading.

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76. By virtue of the foregoing, Respondents have violated §12(G) of the Act.

B. Failure to Disclose Plugged Oil Wells

77. In their Private Placement Memorandum, Respondents Milles and Lutzko informed investors that "Capital Energy Group, LLC has entered into a farmout agreement which allows for the participation in the proposed 4 wells with Fortune Oil..."

78. On or around May 1, 2014, Respondent Milles signed a Participation-Acquisition Agreement with Mr. Russell Vera, President and owner of Fortune Oil & Gas, Ltd., to have Mr. Vera drill 30 different wells on 4 different leases in Guadalupe County, Texas.

79. Of the 30 wells involved in the Participation-Acquisition Agreement, 10 wells located on the Darst Creek (Buda) Field, Ranft Lease # 02767 had been previously plugged in January 1999 and had remained plugged at the time of each investor's investments in CAP III.

80. Omitting to inform investors that one third of the wells which Respondent Milles had contracted with Fortune Oil & Gas, Ltd. to drill for was an omission of a material fact necessary in order to make the statements made about contracting with Fortune Oil not misleading.

81. §12(G) of the Act states that it is a violation 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 the light of the circumstances under which they were made, not misleading.

82. By virtue of the foregoing, Respondents have violated §12(G) of the Act.

COUNT V

UNTRUE STATEMENTS MADE IN OBTAINING MONEY THROUGH THE SALE OF SECURITIES (Promotional Materials-CAP 1)

83. To promote the sale of partnership units in CAP 1, Respondents Milles and Lutzko issued an Executive Summary to investors requesting information about the Fund. This Executive Summary outlined the benefits of investing.

84. Investor AK received a copy of the Executive Summary.

85. Among the claims presented in the Executive Summary was that "the leases are situated on an existing and developed oil field...which have produced approximately 200,000 barrels of oil to date in surrounding production wells."

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86. William Parish of Parish Petroleum, the operator of the CAP 1 oil wells and an oil operator with over 10 years of working knowledge of the area that was to be drilled in CAP 1, states that there is no foundation for such a statement and that there is no publicly available information to support such a claim.
87. §12(G) of the Act states that it is a violation 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 the light of the circumstances under which they were made, not misleading.
88. By virtue of the foregoing, Respondents have violated §12(G) of the Act.

COUNT VI

**UNTRUE STATEMENTS MADE IN OBTAINING MONEY THROUGH THE SALE OF
SECURITIES (Promotional Materials-CAP 3)**

89. To promote the sale of the partnership units in CAP 3, Respondents Milles and Lutzko issued an Executive Summary to investors requesting information about the Fund. Such Executive Summary outlined the benefits of investing.
90. Investor AK received a copy of the Executive Summary
91. Among the statements were that "These leases are situated on an existing and developed oil field that consists of nearly 193+ acres and four (4) wells which have produced approximately 200,000 barrels of oil to date in surrounding production wells..."
92. On or around May 1, 2014, Respondent Milles signed a Participation-Acquisition Agreement with Russell Vera, President and owner of Fortune Oil & Gas, Ltd. for Mr. Vera to drill 30 different wells on 4 different leases in Guadalupe County, Texas.
93. However, of the 30 wells that were drilled, none had production levels that supported Respondent's claims that 200,000 barrels of oil had been produced.
94. All wells in the Darst Creek (Buda) Field, on the Ranft lease, Lease # 02767, which Respondents contracted to have Fortune Oil & Gas drill in per the Participation Acquisition Agreement, were plugged in January 1999 and ceased all oil production. They have been plugged ever since.
95. All wells in the Darst Creek (Buda) Field, on the Ranft lease, Lease # 14223, which Respondents contracted to have Fortune Oil & Gas drill in per the Participation Acquisition Agreement, have only produced 12,921 barrels of oil since January of 1993

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96. All Wells in the Darst Creek Field, Klein, M.T. -A- Lease, Lease # 02881, which Respondents contracted to have Fortune Oil & Gas drill in per the Participation Acquisition Agreement have only produced 2,226 barrels of oil since January 1993.
97. All wells in the Darst Creek Field, on the Annie Knodel Lease, Lease # 02906, which Respondents contracted to have Fortune Oil & Gas drill in per the Participation Acquisition Agreement have produced 1,376 barrels of oil since January 1993.
98. In total, only 16,523 barrels of oil have been drilled on the leases that Respondents contracted Fortune Oil & Gas to drill in.
99. §12(G) of the Act states that it is a violation 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 the light of the circumstances under which they were made, not misleading.
100. By virtue of the foregoing, Respondents have violated §12(G) of the Act.

COUNT VII

**CIRCULATING STATEMENTS PERTAINING TO A SECURITY KNOWING
MATERIAL REPRESENTATIONS TO BE FALSE (E-Mail to Investors, CAPS 1 & 3)**

101. On March 15, 2016, Respondents Milles and Lutzko e-mailed all investors of Respondent CEG's various funds, including all investors from CAP 1 and CAP 3, to inform them that "our funds and reserves (Oil and Gas) are invested in the wells and leases that [Respondent CEG] own[s] and control[s]" and that Respondent CEG "took advantage of the market downturn to purchase new leases and additional...oil wells."
102. Nonetheless, as stated above in Count III A, neither Respondents Milles or Lutzko, or anyone else from Respondent CEG for that matter, ever signed any agreement regarding the drilling of oil in CAP 1, let alone an agreement allowing Respondent CEG to acquire complete control and ownership of any wells in CAP 1.
103. Similarly, Respondent CEG never "own[ed] and control[ed]" the oil fields involved in CAP 3.
104. Respondent Milles communicated to the Department on October 4, 2018 that there were some leases that were acquired by Respondent CEG in other partnerships outside of CAPS 1 and 3.
105. Regardless, this statement does not make untrue the fact that in CAP 1 and CAP 3, no leases were acquired by Respondent CEG directly or indirectly through the respective Well Operators.

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106. Moreover, Respondents Milles and Lutzko stated in that same March 15, 2016 letter that “The reserves in those leases should be long term and able to satisfy the ROI of all offerings.”
107. However, Respondents Milles and Lutzko did not state in their letter that there were three separate, and failed, attempts of raising money to facilitate Parish Petroleum’s acquisition of leases for drilling oil.
108. In fact, Parish Petroleum ceased all communications with Respondents in the late spring of 2014. Therefore, in contrast to Respondents Milles’ and Lutzko’s statements, there were no “reserves” to sell for revenue in CAP 1 as there were no producing wells in CAP 1 for Respondents to collect revenue from.
109. Furthermore, Respondent Milles had admitted to a third party, FA, that there were never any producing wells, thereby making the promise of production from “The reserves in those leases” a falsehood.
110. §12(H) of the Act prohibits, *inter alia*, the signing or circulating of any statement pertaining to any security knowing or having reasonable grounds to know any material representation therein contained to be false or untrue.
111. By virtue of the following, Respondents have violated §12(H) of the Act.

COUNT VIII

Engaging in a Transaction Which Tends to Work a Fraud (CAPS 1 and 3)

112. Between on or around June 4, 2014 and August 10, 2016, Respondent’s Milles and/or Lutzko purchased around \$4,458.99 worth of iTunes products.
113. These purchases were unrelated to the investment objectives of Respondent CEG or CAP 1 and CAP 3 and therefore fraudulent.
114. §12(F) of the Act prohibits, *inter alia*, any transaction or course of business in connection with the sale or purchase of securities which works or tends to work a fraud or deceit upon the purchaser.
115. By virtue of the foregoing, Respondents have violated §12(F) of the Act.

COUNT XI

CIRCULATING STATEMENTS PERTAINING TO A SECURITY KNOWING MATERIAL REPRESENTATIONS TO BE FALSE (Production Information to the Department-CAP 3)

116. On or around July 26, 2018, Respondent Milles provided the Department with alleged production information regarding one particular well on the Darst Creek (Buda) Field, Ranft Lease, Lease #02767.

117. Respondent Milles stated that for the month of April in 2015, 686 barrels of oil were produced.
118. However, as stated above in paragraph 90, *all* wells on that particular field and lease number were plugged and were not producing, thereby making Respondents' production information false
119. §12(H) of the Act prohibits, *inter alia*, the signing or circulating of any statement pertaining to any security knowing or having reasonable grounds to know any material representation therein contained to be false or untrue.
120. By virtue of the following, Respondents have violated §12(H) of the Act.

COUNT X
FAILURE TO REGISTER SECURITIES (CAP 1)

121. Respondents failed to file an application with the Secretary of State to register the partnership interests in CAP 1 as required by the Act, and as a result the partnership interests were not registered as such prior to its sale in the State of Illinois.
122. §5 of the Act provides, *inter alia*, that "all securities except those set forth under §2a of this Act...or those exempt...shall be registered...prior to their offer or sale in this State.
123. §12(A) of the Act provides, *inter alia*, that it shall be a violation of the Act to offer or sell any security except in accordance with the provisions of the Act.
124. §12(D) of the Act provides, *inter alia*, that it shall be a violation of the Act to fail to file with the Secretary of State any application, report or document required to be filed under the provisions of this Act or any rule or regulation made by the Secretary of State pursuant to the Act or to fail to comply with the terms of any order of the Secretary of State issued pursuant to Section 11 hereof.
125. By virtue of the foregoing, Respondents violated §§12(A) and 12 (D) of the Act.

COUNT XI
FAILURE TO REGISTER SECURITIES (CAP 3)

126. Respondents failed to file an application with the Secretary of State to register the partnership interests in CAP 3 as required by the Act, and as a result the partnership interests were not registered as such prior to its sale in the State of Illinois.

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127. §5 of the Act provides. *inter alia*, that "all securities except those set forth under §2a of this Act...or those exempt...shall be registered...prior to their offer or sale in this State.
128. §12(A) of the Act provides. *inter alia*, that it shall be a violation of the Act to offer or sell any security except in accordance with the provisions of the Act.
129. §12.D of the Act provides. *inter alia*, that it shall be a violation of the Act to fail to file with the Secretary of State any application, report or document required to be filed under the provisions of this Act or any rule or regulation made by the Secretary of State pursuant to the Act or to fail to comply with the terms of any order of the Secretary of State issued pursuant to Section 11 hereof.
130. By virtue of the foregoing, Respondents violated §§12(A) and 12 (D) of the Act.

WHEREAS, the Secretary of State, by and through his duly authorized representative, has adopted the Conclusions of Law contained in the said Temporary Order as the Secretary of State's Conclusions of Law as follows:

1. By virtue of this conduct, Respondents WILLIAM J. MILLES, DONALD J. LUTZKO, AND CAPITAL ENERGY GROUP, LLC violated §§12(A), (D), (F), (G), (H), (I) of the Act.
2. By virtue of the foregoing, Respondents WILLIAM J. MILLES, DONALD J. LUTZKO, AND CAPITAL ENERGY GROUP, LLC., pursuant to §11(F)(2) of the Act, are subject to an Order which permanently prohibits THEM from offering or selling securities in or from the State of Illinois.

NOW THEREFORE, IT IS HEREBY ORDERED THAT: pursuant to §11(F)(2) of the Act, Respondents WILLIAM J. MILLES, DONALD J. LUTZKO, AND CAPITAL ENERGY GROUP, LLC, are hereby **PROHIBITED** from offering or selling any securities in or from the State of Illinois.

Dated: This 27th day of March 2019.


JESSE WHITE
Secretary of State
State of Illinois

NOTICE: Failure to comply with the terms of this Order shall be a violation of the §12(D) of 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 the Order, shall be guilty of a Class 4 Felony.

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This is a final order subject to administrative review pursuant to the Administrative Review Law, {735 ILCS 5/3-101 et seq.} and the Rules and Regulations of the Illinois Securities Act. {14 Ill. Admin. Code Ch. I, §130.1123}. Any action for Judicial Review must be commenced within thirty-five (35) days from the date a copy of this Order is served upon the party seeking review.

Attorney for the Secretary of State:

Mitchell R. Paglia

Enforcement Attorney

Illinois Securities Department

Office of the Secretary of State

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