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BEFORE THE ARIZONA CORPORATION COMMISSION

Arizona Corporation Commission

DOCKETED

OCT 14 2011

COMMISSIONERS

GARY PIERCE, Chairman
BOB STUMP
SANDRA D. KENNEDY
PAUL NEWMAN
BRENDA BURNS

DOCKETED BY NR

<p>In the matter of</p> <p>FRED OTTO BOHN and MARSHA BOHN, husband and wife,</p> <p>CAPITAL OIL & GAS, LIMITED (a.k.a "CAPITAL OIL & GAS, LTD," f.k.a. "OMNI PETROLEUM LIMITED"), a dissolved United Kingdom corporation, and a British Virgin Islands company,</p> <p style="text-align: center;">Respondents.</p>	<p>) DOCKET NO. S-20796A-11-0152</p> <p>)</p> <p>) DECISION NO. <u>72623</u></p> <p>)</p> <p>) ORDER TO CEASE AND DESIST, ORDER FOR RESTITUTION, ORDER FOR ADMINISTRATIVE PENALTIES AND CONSENT TO SAME BY:</p> <p>) RESPONDENT FRED OTTO BOHN and MARSHA BOHN</p> <p>) RESPONDENT CAPITAL OIL & GAS, LIMITED</p>
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Respondents FRED OTTO BOHN ("BOHN") and CAPITAL OIL & GAS, LIMITED (a.k.a "CAPITAL OIL & GAS, LTD," f.k.a. "OMNI PETROLEUM LIMITED") ("GOC") ("Respondent(s)"), and MARSHA BOHN ("Respondent Spouse") elect to permanently waive any right to a hearing and appeal under Articles 11 and 12 of the Securities Act of Arizona, A.R.S. § 44-1801 *et seq.* ("Securities Act") with respect to this Order To Cease And Desist, Order for Restitution, Order for Administrative Penalties and Consent to Same ("Order"). Respondents and Respondent Spouse admit the jurisdiction of the Arizona Corporation Commission ("Commission"); neither admit nor deny the Findings of Fact and Conclusions of Law contained in this Order; and consent to the entry of this Order by the Commission.

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I.**FINDINGS OF FACT**

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3 1. At all relevant times, BOHN has been a married man and an Arizona resident. At all
4 relevant times, BOHN has been the owner, chairman and chief executive officer of COG. BOHN has
5 not been registered by the Commission as a securities salesman or dealer.

6 2. BOHN incorporated COG with the Registrar of Companies for England and Wales as a
7 United Kingdom company in approximately 1994 called "OMNI PETROLEUM LIMITED" ("OPL"),
8 "Company NO. 4379417." On or about September 12, 2002, OPL's name was formally changed by
9 BOHN to COG. From in or about 2002, to the present, COG has maintained its principal place of
10 business and an office in Arizona. On or about October 12, 2009, COG was dissolved as a United
11 Kingdom company. On or about August 24, 2006, COG was re-incorporated by BOHN with the
12 Registrar of Corporate Affairs for the Territory of the British Virgin Islands ("BVI") as a "BVI
13 Business Company," "BVI COMPANY NUMBER: 1047007." At all relevant times, COG issued and
14 sold the investments discussed below within and from Scottsdale and Gilbert, Arizona. COG has not
15 been registered by the Commission as a securities dealer.

16 3. Respondent Spouse was at all relevant times the spouse of BOHN. Respondent Spouse
17 was joined in this action under A.R.S. § 44-2031(C) solely for purposes of determining the liability of
18 BOHN and Respondent Spouse's marital community.

19 4. At relevant times, BOHN was acting for his own benefit and for the benefit and in
20 furtherance of BOHN and Respondent Spouse's marital community.

21 **A. Respondents' Oil and Gas Business**

22 5. At all relevant times, Respondents represented to investors both verbally and in
23 writing that they were engaged in the business of participating in and brokering oil and gas
24 (collectively "Oil") transactions throughout the world.

25 6. As explained on the recently revised homepage of Respondents' website at
26 www.capitaloilandgas.com (the "Website"):

1 Capital Oil and Gas, LLC. is a oil and gas trading company located in the USA.
2 Originally formed in 1992 as Omni Petroleum with headquarters in the UK, the
3 name was changed to Capital Oil and Gas in 2000. The operating headquarters
4 were relocated to the USA in 2002. Capital's primary activity is trading in crude
5 and refined petroleum products.

6 7. Prior to March 2011, the homepage of Respondents' website stated in more detail
7 that:

8 Capital Oil & Gas Ltd. is an international independent oil and gas company engaged
9 in exploration, production, refining and trading[.]

10 Our core business is bridging relationships between oil producers and oil refiners
11 using innovating acquisition strategies in connection with our processing and
12 refining agreements with 10 refineries in 3 continents totaling over 50,000,000
13 barrels per month.

14 We are expanding our role in Canada, Africa, the Middle East and Asia in the areas
15 of exploration, drilling, production and refining via alliances and relationships with
16 partners in the local areas.

17 8. At all relevant times, BOHN has been responsible for maintaining and publishing
18 the information contained on Respondents' Website. At all relevant times, Respondents' Website
19 further identified Respondents' Arizona business address and telephone and fax numbers.

20 9. Prior to March 2011, the Website included the following pages: (a) the "Trading"
21 page stating that COG "trades crude and refined petroleum products in every oil producing and
22 consuming countries of the world," including companies located in China, Libya, Russia, the U.S.,
23 Venezuela and Yeman; (b) the "Drilling & Exploration" page stating that COG, "has undertaken a
24 strategy to explore and produce oil and gas in Alberta Canada by forming an industry-first alliance
25 in Northwestern Alberta, Canada;" (c) the "Refining" page stating that COG "maintains third party
26 capacity processing agreements with a number of refineries in Europe, Southwest and Southeast
Asia and the Pacific Rim...We use these relationships to acquire crude oil and, after processing,
market the refined products to various customers throughout the world;" (d) the "Shipping" page
stating that COG "charters all types of oil tankers for every worldwide shipping market
for...[COG's] account and for the account of first class third parties;" and (e) the "World Wide

1 Network” page stating that “[i]n addition to our Scottsdale, Arizona USA presence, [Respondents’]
2 representative offices are maintained in...” cities such as Hong Kong, New York, Geneva, Dublin,
3 and Seoul. These Oil activities and services are collectively referred to hereafter as Respondents’
4 “Business.”

5 10. From at least July 2005 to July 2010, Respondents issued, offered and sold
6 investments to the general public to raise capital to fund and operate their Oil Business (the
7 “Investment(s)").

8 11. The Investments have not been registered with the Commission as securities to be
9 offered or sold within or from Arizona.

10 12. At all relevant times, Respondents represented to investors that Respondents would
11 use Investment funds to operate Respondents’ Business and to purchase or arrange for Oil
12 inspections and “performance bonds” and/or “performance guarantees” necessary to: (a) guarantee
13 the fulfillment of the Oil transactions negotiated and/or brokered by Respondents on behalf of
14 Investment investors; and/or (b) to ensure the shipment of Oil to and/or from, for instance, Nigeria.

15 13. Respondents’ Investments ranged in price from approximately \$35,000 to \$200,000
16 each. The Investments were documented by, without limitation: (a) Investment investor checks
17 and/or wire transfers of principal Investment funds into Respondents’ bank accounts; (b) emails
18 and/or correspondence exchanged between BOHN and investors; (c) unsecured promissory notes
19 made and executed by BOHN in his individual capacity, and on behalf of COG as its “Chairman
20 and CEO” (the “Note(s)"); and (d) paperwork and/or contracts relating to the purported underlying
21 Oil deals promoted by Respondents with investors’ Investment funds.

22 14. The Notes were prepared by BOHN, and stated that BOHN was individually and
23 “unconditionally” guaranteeing the investors’ Investments.

24 15. The terms of the Investments varied. All Investments, however, included promises
25 by Respondents that Respondents would share with investors the substantial profits to be realized
26 by Respondents under the Oil contracts or deals in short periods of time.

1 16. Respondents issued and sold at least ten Investments totaling \$725,000 to nine
2 widely disbursed, unrelated investors residing in seven states including: (a) Connecticut; (b)
3 Florida; (c) Maryland; (d) Missouri; (e) New York; (f) Pennsylvania; and (g) Texas. To date, two
4 investors have received a total of \$18,000 from Respondents on their principal Investments. No
5 investors have received any of their promised substantial profits.

6 17. At all times relevant, Respondents represented to investors that Respondents would
7 manage the essential elements of Respondents' Oil Business including, without limitation, the: (a)
8 negotiation and execution of Oil trading, drilling and exploration, refining, shipping and/or other
9 Business related contracts; (b) performance of the contractual obligations including, for instance,
10 the procurement or charter of shipping vessels to transport Oil and performance bonds or
11 guarantees; and (c) the negotiation, purchase and/or placement of Performance Bonds or guarantees
12 relating to the Business contracts.

13 18. At all times relevant, Respondents represented to investors both verbally and in
14 writing that Respondents' ability to repay investors their principal Investments and/or promised
15 profits was interwoven with and primarily dependent on Respondents' superior Business expertise
16 and experience and ability to successfully engage in and/or broker the Oil deals discussed above.

17 19. Investors made their Investment checks and/or wire transfers payable to COG.
18 Respondents caused the Investment funds to be deposited into bank accounts owned and controlled
19 by Respondents (the "Bank Accounts"). BOHN commingled, pooled and/or combined Investment
20 funds together, in part, by transferring such funds to and from the various Bank Accounts.

21 20. Respondents' investors purchased their Investments primarily based on BOHN's
22 representations that Respondents were able and experienced Oil Business operators and/or brokers
23 who had successfully brokered or directly participated in the purchase and sale of billions of dollars
24 of Oil and gas products, and the shipping of millions of barrels of Oil.

25 21. Unbeknownst to Respondents' investors, Respondents have not successfully
26 engaged in and/or concluded a brokered Oil deal or Business transaction since at least 2003.

1 IT IS ORDERED, pursuant to A.R.S. § 44-2032, that Respondents, and any of
2 Respondents' agents, employees, successors and assigns, permanently cease and desist from
3 violating the Securities Act.

4 IT IS FURTHER ORDERED that Respondents comply with the attached Consent to Entry
5 of Order.

6 IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2032, that BOHN, COG, and BOHN
7 and Respondent Spouse's marital community, jointly and severally shall pay restitution to the
8 Commission in the principal amount of \$707,000. Restitution shall be due 90 days after the date of
9 this Order. Any restitution amount outstanding shall accrue interest at the rate of 10% per annum
10 beginning 90 days after the date of this Order until paid in full.

11 Payment shall be made to the "State of Arizona" to be placed in an interest-bearing account
12 controlled by the Commission. Any principal amount outstanding shall accrue interest at the rate of
13 10 percent per annum from the date judgment is entered until paid in full. The Commission shall
14 disburse the restitution funds on a pro-rata basis to investors shown on the records of the
15 Commission. Any restitution funds that the Commission cannot disburse because an investor
16 refuses to accept such payment, or any restitution funds that cannot be disbursed to an investor
17 because the investor is deceased and the Commission cannot reasonably identify and locate the
18 deceased investor's spouse or natural children surviving at the time of the distribution, shall be
19 disbursed on a pro-rata basis to the remaining investors shown on the records of the Commission.
20 Any funds that the Commission determines it is unable to or cannot feasibly disburse shall be
21 transferred to the general fund of the state of Arizona.

22 IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2036, that Respondents BOHN,
23 COG, and the marital community of BOHN and Respondent Spouse jointly and severally shall pay
24 an administrative penalty in the amount of \$50,000. If the restitution amount is paid in full within
25 the 90 day time period, the penalty amount shall automatically be reduced to \$25,000. Payment
26

1 shall be made to the "State of Arizona." Any penalty amount outstanding shall accrue interest at
2 the rate of 10% per annum beginning 90 days after the date of this Order until paid in full.

3 IT IS FURTHER ORDERED that payments received by the state of Arizona shall first be
4 applied to the restitution obligation. Upon payment in full of the restitution obligation, payments
5 shall be applied to the penalty obligation.

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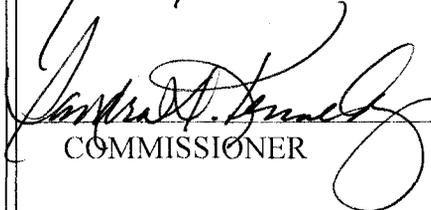
1 IT IS FURTHER ORDERED, that if any Respondent or Respondent Spouse fail to comply
2 with this order, the Commission may bring further legal proceedings against that Respondent,
3 including application to the superior court for an order of contempt.

4 IT IS FURTHER ORDERED that this Order shall become effective immediately.

5 BY ORDER OF THE ARIZONA CORPORATION COMMISSION

6 
7 CHAIRMAN


COMMISSIONER

8 
9 COMMISSIONER


10 COMMISSIONER


COMMISSIONER

11
12 IN WITNESS WHEREOF, I, ERNEST G. JOHNSON,
13 Executive Director of the Arizona Corporation Commission,
14 have hereunto set my hand and caused the official seal of the
15 Commission to be affixed at the Capitol, in the City of
16 Phoenix, this 14th day of

17 October, 2011.

18 
19 ERNEST G. JOHNSON
20 EXECUTIVE DIRECTOR

21 _____
22 DISSENT

23 _____
24 DISSENT

25 This document is available in alternative formats by contacting Shaylin A. Bernal, ADA
26 Coordinator, voice phone number 602-542-3931, e-mail sabernal@azcc.gov.

CONSENT TO ENTRY OF ORDER

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2 1. Respondent FRED OTTO BOHN (“BOHN”) and CAPITAL OIL & GAS,
3 LIMITED (a.k.a “CAPITAL OIL & GAS, LTD,” f.k.a. “OMNI PETROLEUM LIMITED”)
4 (“COG”) (collectively “Respondents”), and MARSHA BOHN (“Respondent Spouse”) admit the
5 jurisdiction of the Commission over the subject matter of this proceeding. Respondents and
6 Respondent Spouse acknowledge that Respondents and Respondent Spouse have been fully
7 advised of Respondents and Respondent Spouse’s right to a hearing to present evidence and call
8 witnesses and Respondents and Respondent Spouse knowingly and voluntarily waive any and all
9 rights to a hearing before the Commission and all other rights otherwise available under Article 11
10 of the Securities Act and Title 14 of the Arizona Administrative Code. Respondents and
11 Respondent Spouse acknowledge that this Order To Cease And Desist, Order For Restitution,
12 Order For Administrative Penalties (“Order”) constitutes a valid final order of the Commission.

13 2. Respondents and Respondent Spouse knowingly and voluntarily waives any right
14 under Article 12 of the Securities Act to judicial review by any court by way of suit, appeal, or
15 extraordinary relief resulting from the entry of this Order.

16 3. Respondents and Respondent Spouse acknowledge and agree that this Order is
17 entered into freely and voluntarily and that no promise was made or coercion used to induce such
18 entry.

19 4. Respondents and Respondent Spouse have been represented by an attorney in this
20 matter, Respondents and Respondent Spouse have reviewed this order with their attorney, James O.
21 Ehinger, Esq., of the law firm Jennings, Strouss & Salmon, P.L.C., and understand all terms it
22 contains. Respondents and Respondent Spouse acknowledge that their attorney has apprised them
23 of their rights regarding any conflicts of interest arising from dual representation. Respondents and
24 Respondent Spouse acknowledge that they have each given their informed consent to such
25 representation.

26

1 5. Respondents and Respondent Spouse neither admit nor deny the Findings of Fact
2 and Conclusions of Law contained in this Order. Respondents and Respondent Spouse agree that
3 Respondents and Respondent Spouse shall not contest the validity of the Findings of Fact and
4 Conclusions of Law contained in this Order in any present or future proceeding in which the
5 Commission or any other state agency is a party concerning the denial or issuance of any license or
6 registration required by the state to engage in the practice of any business or profession.

7 6. By consenting to the entry of this Order, Respondents and Respondent Spouse agree
8 not to take any action or to make, or permit to be made, any public statement denying, directly or
9 indirectly, any Finding of Fact or Conclusion of Law in this Order or creating the impression that
10 this Order is without factual basis. Respondents and Respondent Spouse will undertake steps
11 necessary to assure that all of Respondents and Respondent Spouse's agents and employees
12 understand and comply with this agreement.

13 7. While this Order settles this administrative matter between Respondents,
14 Respondent Spouse and the Commission, Respondents and Respondent Spouse understand that this
15 Order does not preclude the Commission from instituting other administrative or civil proceedings
16 based on violations that are not addressed by this Order.

17 8. Respondents and Respondent Spouse understand that this Order does not preclude
18 the Commission from referring this matter to any governmental agency for administrative, civil, or
19 criminal proceedings that may be related to the matters addressed by this Order.

20 9. Respondents and Respondent Spouse understand that this Order does not preclude
21 any other agency or officer of the state of Arizona or its subdivisions from instituting
22 administrative, civil, or criminal proceedings that may be related to matters addressed by this
23 Order.

24 10. Respondents agree that Respondents will not apply to the state of Arizona for
25 registration as a securities dealer or salesman or for licensure as an investment adviser or
26

1 investment adviser representative until such time as all restitution and penalties under this Order are
2 paid in full.

3 11. Respondents agree that Respondents will not exercise any control over any entity
4 that offers or sells securities or provides investment advisory services within or from Arizona until
5 such time as all restitution and penalties under this Order are paid in full.

6 12. Respondents and Respondent Spouse agree that Respondents and Respondent
7 Spouse will continue to cooperate with the Securities Division including, but not limited to,
8 providing complete and accurate testimony at any hearing in this matter and cooperating with the
9 state of Arizona in any related investigation or any other matters arising from the activities
10 described in this Order.

11 13. BOHN and Respondent Spouse acknowledge that any restitution or penalties
12 imposed by this Order are obligations of the Respondents as well as BOHN and Respondent
13 Spouse's marital community.

14 14. Respondents and Respondent Spouse consent to the entry of this Order and agree to
15 be fully bound by its terms and conditions.

16 15. Respondents and Respondent Spouse acknowledge and understand that if
17 Respondents and Respondent Spouse fail to comply with the provisions of the order and this
18 consent, the Commission may bring further legal proceedings against Respondents and/or
19 Respondent Spouse including application to the superior court for an order of contempt.

20 16. Respondents and Respondent Spouse understand that default shall render
21 Respondents and Respondent Spouse liable to the Commission for its costs of collection and
22 interest at the maximum legal rate.

23 17. Respondents and Respondent Spouse agree and understands that if Respondents and
24 Respondent Spouse fail to make any payment as required in the Order, any outstanding balance
25 shall be in default and shall be immediately due and payable without notice or demand.
26

1 Respondents and Respondent Spouse agree and understand that acceptance of any partial or late
2 payment by the Commission is not a waiver of default by the Commission.

3 18. BOHN represents that at all relevant times he has been, and is the owner and
4 chairman and chief executive officer of COG and has been authorized by COG to enter into this
5 Order for and on behalf of it.

6 

7
8 FRED OTTO BOHN

9 STATE OF ARIZONA)
10 County of Maricopa) ss)

11 SUBSCRIBED AND SWORN TO BEFORE me this 16th day of September, 2011.

12 

13 NOTARY PUBLIC

14 My commission expires:

15 2/29/2012



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17 

18 MARSHA BOHN, spouse of
19 FRED OTTO BOHN

20 STATE OF ARIZONA)
21 County of Maricopa) ss)

22 SUBSCRIBED AND SWORN TO BEFORE me this 16th day of September, 2011.

23 

24 NOTARY PUBLIC

25 My commission expires:

26 2/29/2012



SERVICE LIST FOR: *In re Fred Otto Bohn, et al.*, Docket No. S-20796A-11-0152

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James O. Ehinger, Esq.
Jennings, Strouss & Salmon, P.L.C.
One East Washington Street, Suite 1900
Phoenix, Arizona 85004
Attorneys for Respondents
Fred Otto Bohn,
Marsha Bohn, and
Capital Oil & Gas, Ltd.

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2
3 COMMISSIONERS

4 GARY PIERCE, Chairman
5 BOB STUMP
6 SANDRA D. KENNEDY
7 PAUL NEWMAN
8 BRENDA BURNS

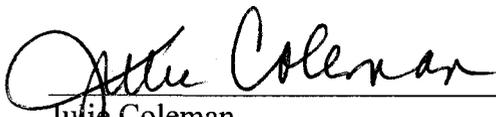
7 In the matter of:)
8 FRED OTTO BOHN and MARSHA BOHN,)
9 husband and wife,)
10 CAPITAL OIL & GAS, LIMITED (a.k.a)
11 "CAPITAL OIL & GAS, LTD," f.k.a. "OMNI)
12 PETROLEUM LIMITED"), a dissolved United)
13 Kingdom corporation, and a British Virgin)
14 Islands company,)
15 Respondents.)

DOCKET NO. S-20796A-11-0152

**NOTICE OF FILING OF PROPOSED
OPEN MEETING AGENDA ITEM**

14 Pursuant to A.A.C. R14-4-303, you are hereby notified that the attached "Order To Cease
15 And Desist, Order For Restitution, Order For Administrative Penalties And Consent To Same By:
16 Respondent Fred Otto Bohn and Marsha Bohn and Respondent Capital Oil & Gas, Limited" was
17 filed with the Arizona Corporation Commission's Docket Control.

18
19 Dated: 9/20/11

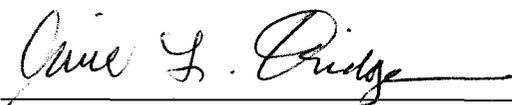
By: 
Julie Coleman
Attorney for the Securities Division of the
Arizona Corporation Commission

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1 I hereby certify that I have this day served the foregoing document on all parties of record
2 in this proceeding by mailing a copy thereof, properly addressed with first class postage prepaid to:

3 James O. Ehinger, Esq.
4 Jennings, Strouss & Salmon, P.L.C.
5 One East Washington Street, Suite 1900
6 Phoenix, Arizona 85004
7 *Attorneys for Respondents*
8 *Fred Otto Bohn,*
9 *Marsha Bohn, and*
10 *Capital Oil & Gas, Ltd.*

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Dated: 9/20/11

By: 
Emie R. Bridges, Executive Assistant