



**STATE OF TENNESSEE  
BEFORE THE COMMISSIONER OF COMMERCE AND INSURANCE**

<b>IN THE MATTER OF:</b>	)	
	)	
<b>J.D. FROST &amp; COMPANY, PLLC,</b>	)	<b>IO No. 2024-0006</b>
<b>CROFT ENTERPRISES, LLC,</b>	)	
<b>RHINO ONWARD INTERNATIONAL, LLC,</b>	)	
<b>JONATHAN DAVID FROST, and</b>	)	
<b>PAUL THOMAS CROFT</b>	)	<b>MATTER No. 24-00555</b>

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**EX PARTE ORDER TO CEASE AND DESIST**

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This Order issues as the result of a Petition, and its Exhibits attached thereto, filed by the Securities Division of the Tennessee Department of Commerce and Insurance (“Division”) against J.D. Frost & Company, PLLC (“Respondent Frost & Company”), Croft Enterprises, LLC (“Respondent Croft Enterprises”), Rhino Onward International, LLC (“Respondent ROI”), Jonathan David Frost (“Respondent Frost”), and Paul Thomas Croft (“Respondent Croft”), collectively (“Respondents”). This Order is based upon the following Findings of Fact and Conclusions of Law:

**FINDINGS OF FACT**

1. In or around September of 2021, Respondent Frost & Company merged with Respondent Croft Enterprises to form “Croft & Frost., LLC”. This merged corporation continued to act as an accounting firm in Chattanooga.

2. Beginning in and around 2022, Respondent Frost and Respondent Croft filed multiple Form D Rule 506(b) registration exemption notices with the SEC for investment offerings in a variety of newly-created LLCs intended to facilitate investment in Rhino Onward

International, a purported green energy project promoted at the website <https://www.rhinoonward.com>. Among others, these LLCs were designated “Scorpio, LLC”, “ROI Fund, LLC”, “ROI Fund I, LLC”, “ROI Fund II LLC”, and “The Well Fund (I, II, III, and IV)”. The designated address specified in these filings was 1413 Chestnut Street, Suite 401 in Chattanooga, Tennessee 37402, which was also the address for Respondent Frost & Company. There was no notice filing made for these purportedly exempt securities with the Tennessee Securities Division.

3. On or about January 27, 2024, Dr. Steven Nagel (“Dr. Nagel”) filed a complaint against Respondents Croft and Frost. According to Dr. Nagel, he originally contracted with Respondent Frost’s accountancy firm for tax preparation purposes. Respondent Frost’s employees eventually convinced Dr. Nagel to invest in the various products offered by the Respondents. Nagel and others invested money by purchasing shares in entities such as “ROI Fund I LLC,” one of multiple LLCs created purportedly to provide an equity infusion into Respondent Rhino and reimburse members for their investment. The Operating Agreement of these LLCs outline the terms of these investments, limits the members to those terms, and states that these “fund” LLCs have themselves secured “pledged units” from Respondent Rhino. In or around December of 2022, Dr. Nagel invested over two-hundred thousand dollars (\$200,000) in ROI Fund I LLC with a promised 20% tax-free return after six months. The Respondents refused to return this money as promised, and Respondent Croft told Dr. Nagel that he could only be paid back once other people had also invested in Respondent Rhino.

4. Respondent Frost was previously licensed with the Department of Commerce and Insurance’s Accountancy Board as a Certified Public Accountant. On or about February 2, 2024, Respondent Frost signed a Consent Order agreeing to revoke his accountancy license for ten (10)

instances of failure to provide accountancy services to clients, and for failure to return approximately \$1,650,000 in promissory notes to accounting clients who had also invested with Respondent Frost and Respondent Frost & Company in connection with, "...numerous complaints related to investment fraud schemes that Respondent operated whereby approximately ten (10) of Respondent's clients invested money with Respondent in exchange for promised interest rate return payments on the investments that were agreed upon by promissory notes signed by Respondent".

5. On or about October 17, 2022, Respondents Croft and Frost, working through Respondent Frost & Company LLC, offered and sold unregistered securities of two hundred thousand dollars (\$200,000) to two California residents, Sally and Jim Smith. Both Mr. and Mrs. Smith are over seventy years old. The Smiths understood their investment to be in the Rhino Onward International hydrogen energy project, but was officially issued by "SCORPIO, LLC", an Illinois corporation created and controlled by Croft and Frost, LLC and styled as a "Promissory Note". Mr. and Mrs. Smith were promised a thirty percent (30%) return after ninety (90) days. This investment by "promissory note" was later rolled over into a "membership interest purchase agreement" in a different LLC controlled by the Respondents, "ROI II Fund, LLC". Neither of these offerings were registered with the Tennessee Securities Division. The Smiths never received any distributions on their investment or its promised returns.

6. On or about March 22, 2024, a group of investors in the Respondents' products filed a class action lawsuit in Illinois alleging the class invested upwards of \$30 million dollars in Respondent Rhino and other purported green energy development projects offered by the Respondents, but the Respondents actually invested less than \$200,000 of that money in the project and returned less than \$2 million to the investors. Sales of these securities were promoted both by

Respondent Frost and Respondent Croft's accounting firm and also via social media on websites like YouTube and elsewhere. According to the complaint, a bank record obtained by the investor plaintiffs indicates that the Respondents received approximately \$46 million dollars total in invested money.

7. In or about September 2023, Croft & Frost, LLC ceased operations and closed business.

8. Following the closure of Croft & Frost, LLC, Respondent Croft sent an email to investors of various products offered through the Respondents that these investments would be rolled into Rhino.

9. On or about March 8, 2024, the Division opened an investigation into the Respondents pursuant to Tenn. Code Ann. § 48-1-118, authorizing the Commissioner of Commerce and Insurance to initiate an investigation whenever he receives information concerning any violation of the securities laws of the State of Tennessee.

10. The Division's Financial Services Investigation Unit ("FSIU") assigned the investigation of the matter to Investigator Winnie Forrester ("Investigator Forrester"), working under Michele Stone, Director of the FSIU.

11. Based on FSIU's investigation, the Respondents appear to have been engaged in the offer and sale of unregistered securities, acted as unregistered broker/dealers and/or agents, and acted as unregistered investment advisers to promote the marketing and sale of these securities. Chief among these securities offerings was Respondent Rhino, which was created and controlled by Respondent Croft and Respondent Frost and purported to be a green energy development fund.

## APPLICABLE LAW

12. Tenn. Code Ann. § 48-1-102(4) states in pertinent part:

(4) “Broker-dealer” means any person engaged in the business of effecting transactions in securities for the account of others, or any person engaged in the business of buying or selling securities issued by one (1) or more other persons for such person's own account and as part of a regular business rather than in connection with such person's investment activities. “Broker-dealer” does not include:

(A) Issuers, except to the extent provided in § 48-1-110(f);

(B) An agent;

(C) An institutional investor;

(D) A person who has no place of business in this state and who is registered as a broker-dealer with the securities and exchange commission or the Financial Industry Regulatory Authority (FINRA) or any successor regulatory entity if:

(i) The person effects transactions in this state exclusively with or through:

(a) The issuers of the securities involved in the transactions;

(b) Other broker-dealers; or

(c) Institutional investors; or

(ii) During any period of twelve (12) consecutive months, the person does not effect more than fifteen (15) transactions in securities from, in, or into this state (other than to persons specified in subdivision (4)(D)(i)); or

(E) Such other persons not within the intent of this subdivision (4) as the commissioner may by rule exempt from this definition as not in the public interest and necessary for the protection of investors.

13. Tenn. Code Ann. § 48-1-102 (13) states, in pertinent part:

(13) “Investment adviser” means any person who, for compensation, engages in the business of advising others, either directly or through publications or writings, as to the value of securities or as to the advisability of investing in, buying, or selling securities, or who for compensation and as a part of a regular business issues or promulgates analyses or reports concerning securities. “Investment adviser” includes a financial planner or other person who, as an integral component of other financially related services, provides investment advice to others for compensation

as part of a business or who holds oneself out as providing investment advice to others for compensation. “Investment adviser” does not include:

- (A) A bank (unless it is acting as an investment adviser for a registered investment company), savings institution, or trust company;
- (B) A lawyer, accountant, engineer, or teacher whose performance of investment advisory services is solely incidental to the practice of such lawyer's, accountant's, engineer's, or teacher's profession;
- (C) A broker-dealer whose performance of investment advisory services is solely incidental to the conduct of such person's business as a broker-dealer and who receives no special compensation for such services;
- (D) A publisher of any bona fide newspaper, news magazine, or business or financial publication of general, regular, and paid circulation;
- (E) A person who has no place of business in this state if:
  - i. The person's only clients in this state are other investment advisers, broker-dealers, or institutional investors; or
  - ii. During any period of twelve (12) consecutive months, the person does not direct business communications into this state in any manner to more than five (5) clients (other than those specified in subdivision (13)(E)(i)), whether or not such person or any of the persons to whom the communications are directed are then present in this state; or
- (F) Such other persons not within the intent of this subdivision (13) as the commissioner may by rule exempt from this definition as not in the public interest and necessary for the protection of investors;

14. Tenn. Code Ann. § 48-1-102 (14) states, in pertinent part:

- (A) “Investment adviser representative” means any partner, officer, or director of (or person occupying a similar status or performing similar functions) an investment adviser, or other individual, except clerical or ministerial personnel, who is employed by or associated with an investment adviser and does any of the following:
  - i. Makes any recommendation or otherwise renders advice regarding securities;
  - ii. Manages accounts or portfolios of clients;

- iii. Determines which recommendation or advice regarding securities should be given;
    - iv. Solicits, offers, or negotiates for sale of or sells investment advisory services;
    - v. Supervises employees who perform any such actions; or
    - vi. Provides investment advice or holds oneself out as providing investment advice;
15. Tenn. Code Ann. § 48-1-102 (20) (A) and (B) state in pertinent part:
- (A) Sale” or “sell” includes every contract of sale of, contract to sell, or disposition of, a security or interest in a security for value.
  - (B) “Offer” or “offer to sell” includes every attempt or offer to dispose of, or solicitation of an offer to buy, a security or interest in a security for value;
16. Tenn. Code Ann. § 48-1-102 (21) (A) states in pertinent part:
- (21)(A) “Security” means any note, stock, treasury stock, bond, debenture, evidence of indebtedness, a life settlement investment or any fractional or pooled interest in a life insurance policy or life settlement investment, 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, certificate of interest or participation in an oil, gas, or mining title or lease or in payments out of production under such a title or lease; or, in general, any interest or instrument commonly known as a “security,” or any certificate of interest or participation in, temporary or interim certificate for, receipt for, guarantee of, or warrant or right to subscribe to or purchase, any of the foregoing;
17. Tenn. Code Ann. § 48-1-104 states, in pertinent part:
- (a) It is unlawful for any person to sell any security in this state unless:
    - (1) It is registered under this part;
    - (2) The security or transaction is exempted under § 48-1-103; or
    - (3) The security is a covered security.
  - (b) The commissioner may, after notice and opportunity for a hearing under the Uniform Administrative Procedures Act, compiled in title 4, chapter 5,

impose a civil penalty against any person found to be in violation of this section, or any rule or order adopted or issued under this section, in an amount not to exceed ten thousand dollars (\$10,000) per violation, or in an amount not to exceed twenty thousand dollars (\$20,000) per violation if an individual who is a designated adult is a victim.

18. Tenn. Code Ann. § 48-1-116(a) and (e)(2)(A) state in pertinent part:

- (a) The commissioner may from time to time make, promulgate, amend, and rescind such rules, forms, and orders as are necessary to carry out this part, including rules, forms, and orders governing registration statements, applications, reports, and filing fees, and defining any terms, whether or not used in this part, insofar as the definitions are not inconsistent with this part. For the purpose of rules and forms, the commissioner may classify securities, persons, and matters within the commissioner's jurisdiction, and prescribe different requirements for different classes  
...
- (e)
  - (2) No order may be entered under this part (except routine orders of effective registration, registration termination by operation of law, or registration abandonment) without:
    - (A) Notice to the affected parties (which shall be prior notice unless the commissioner determines that prior notice would not be in the public interest and would be detrimental to the protection of investors)

19. Tenn. Code Ann. § 48-1-109(a) provides that:

- (a) It is unlawful for any person to transact business from, in, or into this state as a broker-dealer or agent unless such person is registered as a broker-dealer or agent under this part, except that:
  - (1) A bank shall be exempt from registration as a broker-dealer to the extent its activities are excepted under either the definition of “broker” in § 3(a)(4)(B) of the Securities Exchange Act of 1934 (15 U.S.C. § 78c(a)(4)(B)), or the definition of “dealer” in § 3(a)(5)(C) of the Securities Exchange Act of 1934 (15 U.S.C. § 78c(a)(5)(C));
  - (2) A person who limits such person's activity as a broker-dealer to acting solely as a broker-dealer with regard to charitable gift annuities, as that term is defined by § 56-52-102, shall be exempt from registration as a broker-dealer;



- (3) A person who limits such person's activity as an agent to acting solely as an agent on behalf of a person who is eligible for the exemption from broker-dealer registration in subdivision (a)(2) shall be exempt from registration as an agent.

20. Tenn. Code Ann. § 48-1-109(c) provides that:

- (c) It is unlawful for any person to transact business from, in, or into this state as an investment adviser or investment adviser representative unless:
  - (1) The person is registered as an investment adviser or investment adviser representative under this part;
  - (2) The person is required to register as an investment adviser pursuant to § 203 of the Investment Advisers Act of 1940 (15 U.S.C. § 80b-3); provided, however, that an initial notice filing, consisting of any documents filed with the securities and exchange commission, a consent to service of process, and a nonrefundable fee of one hundred dollars (\$100) shall be filed with the commissioner or the commissioner's designee, with payment of any reasonable costs charged by the designee for processing such filings, ten (10) days prior to the person acting as an investment adviser; and a renewal notice filing containing such information as the commissioner by rule requires and a nonrefundable fee of one hundred dollars (\$100) shall be filed with the commissioner or the commissioner's designee, with payment of any reasonable costs charged by the designee for processing such filing for each successive year in which such person acts as such investment adviser; every notice filing of an investment adviser expires annually, unless timely renewed, on December 31 of each year; or
  - (3) The person's only clients in this state are insurance companies.

21. Tenn. Code Ann. § 48-1-109(e) provides that:

The commissioner may, after notice and an opportunity for a hearing under the Uniform Administrative Procedures Act, compiled in title 4, chapter 5, impose a civil penalty against any person found to be in violation of this section, or any rule or order adopted or issued under this section, in an amount not to exceed ten thousand dollars (\$10,000) per violation, or in an amount not to exceed twenty thousand dollars (\$20,000) per violation if an individual who is a designated adult is a victim.

22. Tenn. Code Ann. § 48-1-102(10) provides that “Designated adult” means:

(A) An individual sixty-five (65) years of age or older; or

(B) An individual who is eighteen (18) years of age or older and who, because of mental or physical dysfunction, is unable to manage such person's own resources, carry out activities of daily living, or protect against neglect or hazardous or abusive situations, without assistance from others;

23. The Division is authorized to bring this action based on a finding by the Commissioner that the action is in the public interest, necessary for the protection of investors, and consistent with the purposes fairly intended by the policy and provisions of the Act. Tenn. Code Ann. § 48-1-116(b). In addition, the Commissioner may forgo prior notice of this Order of Cease and Desist upon a finding that prior notice is not in the public interest and would be detrimental to the protection of investors. Tenn. Code Ann. § 48-1-116(e)(2)(A).

### **CONCLUSIONS OF LAW**

24. The Commissioner finds that this Ex Parte Order is in the public interest, necessary for the protection of investors, and consistent with the purposes fairly intended by the policy and provisions of the Act pursuant to Tenn. Code Ann. § 48-1-116(b). In addition, the Commissioner finds that prior notice to the Respondents of this Cease and Desist Order would not have been in the public interest and would have been detrimental to the protection of Tennessee securities consumers pursuant to Tenn. Code Ann. § 48-1-116(e)(2)(A).

***A. The Respondents are engaging in investment adviser services while not registered as an investment adviser or an investment adviser representative.***

25. The Findings of Fact demonstrate that Respondents are offering investment adviser services in Tennessee and the Respondents are not registered with the Division as an investment adviser or investment adviser representative as required under the Act.

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26. The Respondents, in providing information to the public, for a referral fee, on their social media accounts, websites, and YouTube channels constitutes acting as investment advisers as defined in Tenn. Code Ann. § 48-1-102(14).

27. The Respondents' actions of providing investment adviser services in Tennessee in violation of the Act creates an imperative risk of harm to consumers who would rely on Respondents as fiduciaries in providing financial advice. The Respondents' unlawful conduct in violation of Tenn. Code Ann. § 48-1-109(c) provides grounds under Tenn. Code Ann. § 48-1-116(a) and (e)(2)(A) for the immediate entry of an Order to Cease and Desist all securities activity.

28. The Respondents' unlawful conduct in violation of Tenn. Code Ann. § 48-1-109(c) provides grounds under Tenn. Code Ann. § 48-1-109(e) for the immediate entry of an Ex-Parte Order to Cease and Desist.

***B. The Respondents are engaging in unregistered activity as broker-dealers by effecting the sale of unregistered securities in Tennessee.***

29. The Findings of Fact demonstrate that the Respondents facilitated the sale of securities into or from the State of Tennessee, thereby acting as broker-dealers. The Respondents' acts in effecting and attempting to effect the sale of securities through their websites and social media platforms, facilitating consumers to invest in Rhino Onward International show that Respondents acted as broker-dealers in Tennessee. Such securities effected were investment contracts as defined in Tenn. Code Ann. § 48-1-102(20)(A).

30. The promotion and solicitation of Rhino Onward International Fund products qualify as an investment contract, which is a security. These securities were not registered within Tennessee, nor did they meet a registration exception to the security registration requirement. The Respondents' actions in effecting and attempting to effect the sale of such securities into or from Tennessee through its website links and social media accounts constitutes acting as a broker-dealer

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of unregistered securities in Tennessee in violation of Tenn. Code Ann. §§ 48-1-104(a) and 48-1-109(a).

31. The Respondents' unlawful conduct in violation of Tenn. Code Ann. § 48-1-104(a) provides grounds under Tenn. Code Ann. § 48-1-116(a) and (e)(2)(A) for the immediate entry of an Order to Cease and Desist all securities activity.

32. The Respondents' unlawful conduct in violation of Tenn. Code Ann. §§ 48-1-104(a) and 48-1-109(a) provides grounds under Tenn. Code Ann. §§ 48-1-104(b) and 48-1-109(e) for the immediate entry of an Ex-Parte Order to Cease and Desist.

***C. The Respondents are engaging in the sale of unregistered securities.***

33. The Respondents are offering and selling securities which purportedly fund a hydrogen-based green energy development construction in the guise of "secured notes" and membership in various limited liability companies which are investment contracts, have no defined purpose other than to fund Respondent ROI and ostensibly return profits to the investors. These offerings meet the definition of a "security" as defined by Tenn. Code Ann. § 48-1-102 (21)(A).

34. The Respondents' sale of securities in the state of Tennessee which are not registered, covered, or exempted by law is in violation of Tenn. Code Ann. § 48-1-104(a).

35. The Respondents' unlawful conduct in violation of Tenn. Code Ann. § 48-1-104(a) provides grounds under Tenn. Code Ann. § 48-1-116(a) and (e)(2)(A) for the immediate entry of an Ex-Parte Order to Cease and Desist.

## **ORDER**

**NOW, THEREFORE**, in consideration of the foregoing, it is **ORDERED** that:


1. The Respondents **SHALL COMPLY** with the provisions of the Act.
2. The Respondents **SHALL CEASE AND DESIST** from further conduct as an investment adviser, investment adviser representative, broker-dealer or agent in Tennessee until such time they are effectively registered with the Division to engage in such activities, including, but no limited to, providing investment advice to the public for any compensation via their social media accounts, websites, YouTube channels, or any other medium, and further from effecting or attempting to effectuate the sale of securities through its social media accounts, websites, YouTube channels, or any other medium.
3. Any persons aiding or otherwise acting in concert with the Respondent or facilitating the unlawful activities of the Respondent through operation of its social media accounts, websites, and YouTube channels to and from Tennessee, and any successor entities or individuals, **SHALL IMMEDIATELY CEASE AND DESIST** from aiding such unlawful conduct of the Respondents.
4. This Order to Cease and Desist is not intended to prohibit any lawful conduct in which the Respondents might be engaged.
5. Entry of this Order to Cease and Desist shall not in any way restrict the Division or the Commissioner from taking further action, including the imposition of maximum civil penalties allowed under the Act, with respect to these or other possible violations of the Act, or any of the rules promulgated thereunder, by the Respondents.

6. The Respondents are advised that the right to a hearing as to all matters raised in this Order to Cease and Desist is available. If the Respondents wish to exercise the right to a hearing, please notify:

**ELIZABETH H. BOWLING  
ASSISTANT COMMISSIONER FOR SECURITIES  
STATE OF TENNESSEE DEPARTMENT OF COMMERCE AND INSURANCE  
500 JAMES ROBERTSON PARKWAY  
DAVY CROCKETT TOWER, 10<sup>th</sup> FLOOR  
NASHVILLE, TENNESSEE 37243**


7. Such request must be received within thirty (30) days from the date of entry of this Order to Cease and Desist. This Order to Cease and Desist shall become a Final Order thirty (30) days from the date of its entry, unless written notification requesting a hearing is made within that thirty (30) day period.

**ENTERED** this 24 day of March, 2025.

  
Carter Lawrence (Mar 24, 2025 16:39 EDT)

Carter Lawrence, Commissioner

**APPROVED FOR ENTRY:**

  
Elizabeth H. Bowling (Mar 21, 2025 10:59 CDT)

Elizabeth H. Bowling  
Assistant Commissioner for Securities  
Department of Commerce and Insurance



Samuel L. Moore, BRP# 031342  
Associate General Counsel  
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500 James Robertson Parkway, Davy Crockett Tower  
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## **CERTIFICATE OF SERVICE**

The undersigned hereby certifies that a true and correct copy of this Petition for Ex Parte Order to Cease and Desist and Ex Parte Order to Cease and Desist will be served upon the Respondent via overnight mail and email to the below enclosed address on 25th day of March, 2025.

**Federal Express No. 8800 5510 4622**

Johnathan David Frost  
2456 Dogwood Grove Circle  
Signal Mountain, TN 37377

**Federal Express No. 8800 5536 1705**

Johnathan David Frost  
1722 Rivergate Terrace  
Soddy Daisy, TN 37379-5944

**Federal Express No. 8800 5555 0872**

Paul Thomas Croft  
363 E. Wacker Drive #1506  
Chicago, IL 60601

**Federal Express No. 8800 5566 5124**

Paul Thomas Croft  
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**United States Postal Service No. 9589 0710 5270 1535 8013 43**

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333 Washington Avenue N Ste. 401  
Minneapolis, MN 55401

**United States Postal Service No. 9589 0710 5210 1535 8013 50**

Frost & Company, LLC  
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Chattanooga, TN, 37402-4547

**United States Postal Service No. 9589 0710 5270 1535 8013 67**

Rhino Onward International, LLC  
1000 West Lake Street  
Chicago, IL 60607



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Samuel L. Moore