



3. Respondent fully understands that this Consent Order will in no way preclude additional proceedings by the Commissioner for acts and/or omissions not specifically addressed in this Consent Order or for facts and/or omissions that do not arise from the facts or transactions herein addressed.

4. Other than this proceeding brought by the Commissioner for violations of Title 48 of Tennessee Code Annotated addressed specifically in this Consent Order, Respondent fully understands that this Consent Order will in no way preclude different proceedings by state or local officers, agencies, or civil or criminal law enforcement authorities against Respondent for violations of law under statutes, rules, or regulations of the State of Tennessee, which may arise out of the facts, acts, or omissions contained in the Findings of Fact and Conclusions of Law stated herein, or which arise as a result of the execution of this Consent Order by Respondent.

5. Respondent expressly waives all further procedural steps, and expressly waives rights to seek judicial review of or to otherwise challenge or contest the validity of this Consent Order, the stipulations and imposition of discipline contained herein, and the consideration and entry of said Consent Order by the Commissioner.

6. Respondent fully understands and agrees that the TSD is not required to accept this Consent Order, and that the Commissioner is not obligated to enter same, if Respondent has not delivered to the TSD his payment of the civil penalty assessment in full by July 18, 2018. Should Respondent not pay the civil penalty in a timely manner, this Consent Order will not become effective, and the TSD will go forward with the hearing in this case on a contested docket before an Administrative Judge assigned by the Secretary of State as scheduled on August 3, 2018, or as soon thereafter as an Administrative Judge may take up the matter.

## AUTHORITY AND JURISDICTION

7. The Commissioner has jurisdiction over this matter pursuant to the Tennessee Securities Act of 1980, as amended, Tenn. Code Ann. §§ 48-1-101 to 48-1-201 ("Act"). Responsibility for administration of the Act is placed with the Commissioner.

## PARTIES

8. The TSD is the lawful agent through which the Commissioner administers the Act and is authorized to bring this action based on the finding that such 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, pursuant to Tenn. Code Ann. § 48-1-116.

9. Respondent is a resident of Colorado, with a last-known residential address of 212 E. 4<sup>th</sup> High Street, Central City, CO 80427-2673, and a last-known mailing address of P.O. Box 273, Central City, CO 80427. Respondent has never been registered with the TSD or with FINRA as a broker-dealer, broker-dealer agent, investment adviser, or investment adviser representative.

## FINDINGS OF FACT

10. At some point in 2011, Respondent was introduced by phone to Harry F. Thompson through a friend with whom he had previously invested, Jeff Capen. Harry Thompson told Respondent about a new investment opportunity with Chattaco, Inc. ("Chattaco"), a company Harry Thompson indicated he had created in the Chattanooga, Tennessee area. Harry Thompson told Respondent that Chattaco had leases in place relative to several natural gas and oil wells in Magoffin County, Kentucky.

11. Based on their initial and additional phone conversations, Respondent believed that Harry Thompson had a good local knowledge of the Magoffin County, Kentucky area, and

that Harry Thompson had good local contacts with several people involved in the oil and gas industry. According to Respondent, he was fooled by Harry Thompson into believing that the Magoffin County, Kentucky wells which Chattaco claimed to have leasehold interests in, were producing, or would very soon produce sizable quantities of natural gas that would bring large profits to investors. In this regard, Harry Thompson told Respondent that there was gas in these wells which needed to be produced, and that Chattaco needed new wells. Harry Thompson also asked whether Respondent knew anyone “who wanted to make money” by investing in Chattaco.

12. Based on Harry Thompson’s presentations, and the recommendation of his friend, Jeff Capen, Respondent decided to invest in Chattaco – investing two thousand, five hundred dollars (\$2,500) in or about late 2011 or early 2012. Between late 2011 and mid-2013, Respondent introduced potential new investors Jeannie and Kevin King, Jeff and Cindy Thompson, Troy Grice, and Mark Whitt to Harry Thompson by phone. Respondent knew each of these individuals through either prior investments, coaching youth football in Colorado, or through Respondent’s operation of a Central City, Colorado brewpub named Dostal Alley.

13. Respondent admits that the above-named individuals invested in Chattaco between early 2012 and mid-2013, and admits that several additional individuals he referred to Harry Thompson through 2014, also invested in Chattaco’s oil and gas scheme. Respondent further understands that many of these and other investors have claimed that they did not receive anything close to the rate of return on investment promised by Harry Thompson, and have claimed that they never received the repayment of their principal investment according to the terms of Chattaco’s promissory notes executed in favor of these investors.

14. Respondent admits that he received and deposited six (6) commission checks from Chattaco totaling eleven thousand, five hundred dollars (\$11,500) between March 2013 and

April 2014, due to Chattaco's sales of natural gas assignments to several investors Respondent referred to Harry Thompson. Respondent also admits that he received and deposited eight (8) royalty checks from Chattaco totaling one thousand, two hundred seventy-seven dollars and seventy-five cents (\$1,277.75) between November 2012 and March 2013, as a return on his \$2,500 investment.

15. Respondent has never met Harry Thompson in person, and has never visited Magoffin County, Kentucky, or Hamilton County, Tennessee. Respondent is not, and has never been, an employee, officer, or director of Chattaco.

16. While Respondent admits that he was paid the foregoing commission checks by Chattaco, he claims he did not consider himself to be an express agent of either Chattaco or Harry Thompson, given that he signed no agreements, contracts, or letters with Chattaco or Harry Thompson setting out that he was going to be compensated as an agent of either of them. However, Respondent concedes that his actions in soliciting investors for Chattaco and Harry Thompson, and his receipt of compensation from Chattaco specifically related to Chattaco's sales of securities from Tennessee to such investors, could, from an objective perspective, justify the TSD's conclusion that Respondent acted as an "agent" as defined by the Act.

17. Respondent indicates he regrets the losses suffered by other investors he referred to Harry Thompson, but claims he was persuaded that the investment scheme described by Harry Thompson would be profitable for investors when he was first introduced to this scheme in 2011.

18. On February 2 and 16, 2018, the TSD, through counsel, filed a Notice of Hearing and Charges and an Amended Notice of Hearing and Charges, respectively, against Harry Thompson, Chattaco, and the Respondent relating to their actions as set out above, and as is more fully described in those pleadings.

19. Respondent has agreed to assist the TSD in litigating the contested case against Chattaco and Harry Thompson, and has agreed, at his own expense, to travel to Nashville and to attend and testify as a witness on behalf of the TSD at the hearing set in this matter on August 3, 2018, or on any continued hearing date that might be set by the Administrative Judge beyond August 3, 2018, as requested in writing by counsel for the TSD.

### CONCLUSIONS OF LAW

20. Respondent acted as an agent of Harry Thompson and Chattaco pursuant to Tenn. Code Ann. § 48-1-102(3), given that he represented Harry Thompson and Chattaco in effecting or attempting to effectuate sales of securities from Tennessee. Specifically, Respondent received at least six (6) commission checks totaling \$11,500 from Chattaco between March 2013 and April 2014, based on Chattaco's sales of natural gas assignments to several investors referred to Harry Thompson by Respondent. Tenn. Code Ann. § 48-1-102(3) provides as follows:

**Tenn. Code Ann. § 48-1-102**

As used in this part, unless the context otherwise requires:

...  
(3) "Agent" means any individual, other than a broker-dealer, who represents a broker-dealer in effecting or attempting to effect purchases or sales of securities from, in, or into this state. A partner, officer, director or manager of a broker-dealer, or a person occupying similar status or performing similar functions, is an agent only if such person otherwise comes within this definition or receives compensation specifically related to purchases or sales of securities from, in or into this state. "Agent" does not include such other persons not within the intent of this subdivision (3) as the commissioner may, by rule, exempt from this definition as not in the public interest and necessary for the protection of investors[;]

21. Respondent's actions in effecting or attempting to effect sales of the undivided fractional interests of oil and gas rights owned by Chattaco to the above-referenced four (4) investors, as an unregistered agent of Respondents Chattaco and Harry Thompson, have violated Tenn. Code Ann. § 48-1-109(a), which provides as follows:

(a) It is unlawful for any person to transact business from or in this state as a broker-dealer or agent unless such person is registered as a broker-dealer or agent under this part.

22. Respondent's violations of Tenn. Code Ann. §§ 48-1-109(a) as set forth by the above Findings of Fact constitute grounds for the imposition of lawful discipline, including the imposition of a bar from future registration as a broker-dealer, broker-dealer agent, investment adviser, or investment adviser representative, and the assessment of civil penalties, pursuant to Tenn. Code Ann. §§ 48-1-116(a) and 48-1-109(e). These sections read, in pertinent part, as follows:

**Tenn. Code Ann. § 48-1-116**

(a) The commissioner may from time to time make...such orders as are necessary to carry out this part...

...

**Tenn. Code Ann. § 48-1-109**

...

(e) 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 regulation, rule or order adopted or issued under this section, in an amount not to exceed ten thousand dollars (\$10,000) per violation.

23. Based upon the above Findings of Fact and Conclusions of Law, the Commissioner considers that the Respondent's actions warrant the issuance of an order barring Respondent from the securities business in Tennessee, requiring that Respondents cease and desist from conducting any further securities transactions on behalf of others from, in, or into the State of Tennessee, and from any other activities in violation of the Act, and the imposition of lawful discipline in the form of a civil penalty assessment in accordance with Tenn. Code Ann. §§ 48-1-116(a) and 48-1-109(e).

24. In order to avoid further expenses or costs associated with additional administrative litigation of this matter or judicial review, Respondent hereby acknowledges the Commissioner's authority to administer the statutes cited herein, concedes that the Commissioner's interpretation of the statutes cited in the Conclusions of Law are reasonable and enforceable, and agrees to the entry of this Consent Order including each of the following sanctions ordered by the Commissioner.

**ORDER**

**NOW, THEREFORE**, on the basis of the foregoing, and Respondent's waiver of the right to a hearing and appeal under the Act and the Uniform Administrative Procedures Act, Tenn. Code Ann. §§ 4-5-101 to 4-5-404, and Respondent's admission of jurisdiction of the Commissioner, the Commissioner finds that the Respondent, for the purpose of settling this matter, admits the Findings of Fact and Conclusions of Law, agrees to the entry of this Consent Order, and agree that this Consent Order is in the public interest and is consistent with the purposes fairly intended by the Act.

**IT IS ORDERED**, pursuant to Tenn. Code Ann. §§ 48-1-116(a) & 48-1-109(e) that:

1. Respondent is **ASSESSED** and shall pay to the Department a **CIVIL PENALTY of twelve thousand, two hundred seventy-seven dollars and seventy-five cents (\$12,277.75)**. Said civil penalty assessment is due to be received by **July 18, 2018**, and equals the total amount that Respondent received from Chattaco in the form of commissions and royalties between 2012 and 2014.
2. All payments to the Department of the twelve thousand, two hundred seventy-seven dollar and seventy-five cent (\$12,277.75) civil penalty assessment shall be mailed to:

**State of Tennessee**  
**Department of Commerce and Insurance**  
**Office of Legal Counsel**  
**Attn: Jesse D. Joseph, Assistant General Counsel**  
**500 James Robertson Parkway, 8<sup>th</sup> Floor**  
**Nashville, TN 37243**

3. Respondent is permitted to pay the above civil penalty assessment sooner than required by the above deadline if he chooses.

4. The civil penalty shall be considered timely made if it is **received** by the Department within seven (7) calendar days of the date such payment is due. All payments shall include a copy of the first page of this Consent Order and shall be made payable to the "State of Tennessee."

5. In accordance with numbered paragraph 19 of the above Findings of Fact, Respondent shall travel to Nashville at his own expense to attend and testify as a witness on behalf of the TSD at the hearing set in this matter on August 3, 2018, or on any continued hearing date that might be set by the Administrative Judge beyond August 3, 2018, as requested in writing by counsel for the TSD. Respondent's failure to comply with this requirement shall result in an additional agreed **CIVIL PENALTY ASSESSMENT** of ten thousand dollars (\$10,000), which is due and collectible immediately upon the Respondent's failure to appear and testify, as certified in writing by the undersigned counsel for the TSD. Further, if assessed, the Department may file and enforce said additional ten thousand dollar (\$10,000) **CIVIL PENALTY** as a judgment against Respondent in the Circuit or Chancery Court without further notice to Respondent or additional proceedings.

6. Respondent is **PERMANENTLY BARRED** from registration as an investment adviser, investment adviser representative, broker-dealer, or broker-dealer agent in the state of Tennessee.

7. Respondent shall **CEASE and DESIST** from conducting any further securities transactions on behalf of others from, in, or into the State of Tennessee, and from any other activities in violation of the Act.

**IT IS ORDERED** that this Consent Order represents the complete and final resolution of, and discharge with respect to all administrative and civil, claims, demands, actions and causes of action by the Commissioner against Respondent for violations of Tenn. Code Ann. §§ 48-1-109(a) alleged by the TSD to have occurred with respect to the transactions involving the facts contained herein.

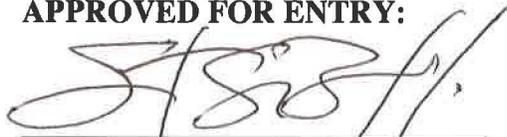
This Consent Order is in the public interest and in the best interests of the parties, represents a compromise and settlement of the controversy between the parties, and is for settlement purposes only. By the signatures affixed below, Respondent affirmatively states he has freely agreed to the entry of this Consent Order, that he waives the right to a hearing on the matters underlying this Consent Order and to a review of the Findings of Fact and Conclusions of Law contained herein, and that no threats or promises of any kind have been made to him by the Commissioner, the TSD, or any agent or representative thereof. The parties, by signing this Consent Order, affirmatively states their agreement to be bound by the terms of this Consent Order and avers that no promises or offers relating to the circumstances described herein, other than the terms of the settlement as set forth in this Consent Order, are binding upon them.

ENTERED this 18 day of July, 2018.



Julie Mix McPeak, Commissioner  
TN Department of Commerce and Insurance

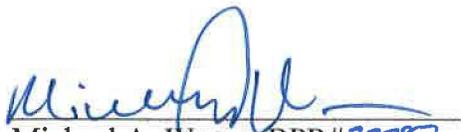
**APPROVED FOR ENTRY:**



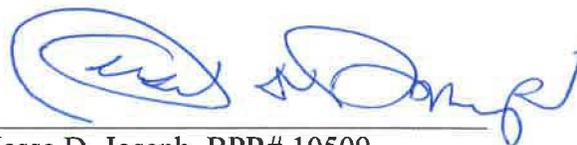
Steven S. Boulter, Respondent  
P.O. Box 273  
Central City, CO 80427-2673



Frank Botger-Gilligan  
Assistant Commissioner for Securities  
TN Department of Commerce and Insurance



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