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**STATE OF WASHINGTON
DEPARTMENT OF FINANCIAL INSTITUTIONS
SECURITIES DIVISION**

IN THE MATTER OF DETERMINING
Whether there has been a violation of the
Securities Act of Washington by:

Thomas Joseph Powell;
Stefan Tiberiu Toth;
Resolute Capital Partners, Ltd, LLC;
HomeBound, Inc.;
Home Bound Financial Group, LP;
HomeBound Resources, LLC;
PetroRock Mineral Holdings, LLC
Strategic Energy Assets, LLC;
Mountain High Capital, LLC;
HBR VI, LLC;
Strategic Energy Assets - III, LLC;
PRMH Lenders Fund, LLC;
PRMH Lenders Fund II, LLC;
PRMH Lenders Fund III, LLC;
Strategic Energy Assets VI, LLC;
Strategic Energy Assets VII, LLC;
Choice Energy Holdings - I, LLC;
Choice Energy Holdings - II, LLC;
Choice Energy Holdings - III, LLC;
Legacy Energy, LLC; and
Legacy Energy II, LLC,

Respondents.

Order No.: S-19-2672-20-CO02

CONSENT ORDER AS TO
THOMAS JOSEPH POWELL;
STEFAN TIBERIU TOTH;
RESOLUTE CAPITAL PARTNERS, LTD, LLC;
HOMEBOUND, INC.;
HOME BOUND FINANCIAL GROUP, LP;
HOMEBOUND RESOURCES, LLC;
PETROROCK MINERAL HOLDINGS, LLC;
STRATEGIC ENERGY ASSETS, LLC;
MOUNTAIN HIGH CAPITAL, LLC;
HBR VI, LLC;
STRATEGIC ENERGY ASSETS - III, LLC;
PRMH LENDERS FUND, LLC;
PRMH LENDERS FUND II, LLC;
PRMH LENDERS FUND III, LLC;
STRATEGIC ENERGY ASSETS VI, LLC;
STRATEGIC ENERGY ASSETS VII, LLC;
CHOICE ENERGY HOLDINGS - I, LLC;
CHOICE ENERGY HOLDINGS - II, LLC;
CHOICE ENERGY HOLDINGS - III, LLC;
LEGACY ENERGY, LLC; AND
LEGACY ENERGY II, LLC

THE STATE OF WASHINGTON TO:

Thomas Joseph Powell
Stefan Tiberiu Toth
Resolute Capital Partners, Ltd, LLC
HomeBound, Inc.
Home Bound Financial Group, LP
HomeBound Resources, LLC
PetroRock Mineral Holdings, LLC
Strategic Energy Assets, LLC
Mountain High Capital, LLC
HBR VI, LLC

1 Strategic Energy Assets - III, LLC
2 PRMH Lenders Fund, LLC
3 PRMH Lenders Fund II, LLC
4 PRMH Lenders Fund III, LLC
5 Strategic Energy Assets VI, LLC
6 Strategic Energy Assets VII, LLC
7 Choice Energy Holdings - I, LLC
8 Choice Energy Holdings - II, LLC
9 Choice Energy Holdings - III, LLC
10 Legacy Energy, LLC
11 Legacy Energy II, LLC

12 INTRODUCTION

13 Pursuant to the Securities Act of Washington, RCW 21.20, the Securities Division of the
14 Washington State Department of Financial Institutions (Securities Division) and Respondents Thomas
15 Joseph Powell, Stefan Tiberiu Toth, Resolute Capital Partners, Ltd, LLC, HomeBound, Inc., Home Bound
16 Financial Group, LP, HomeBound Resources, LLC, PetroRock Mineral Holdings, LLC, Strategic Energy
17 Assets, LLC, Mountain High Capital, LLC, HBR VI, LLC, Strategic Energy Assets - III, LLC, PRMH
18 Lenders Fund, LLC, PRMH Lenders Fund II, LLC, PRMH Lenders Fund III, LLC, Strategic Energy
19 Assets VI, LLC, Strategic Energy Assets VII, LLC, Choice Energy Holdings - I, LLC, Choice Energy
20 Holdings - II, LLC, Choice Energy Holdings - III, LLC, Legacy Energy, LLC, and Legacy Energy II,
21 LLC do hereby enter into this Consent Order in settlement of the matters alleged herein.

22 Respondents Thomas Joseph Powell, Stefan Tiberiu Toth, Resolute Capital Partners, Ltd, LLC,
23 HomeBound, Inc., HomeBound Financial Group, LLC, HomeBound Resources, LLC, PetroRock Mineral
24 Holdings, LLC, Strategic Energy Assets, LLC, HBR VI, LLC, Strategic Energy Assets - III, LLC, PRMH
25 Lenders Fund, LLC, PRMH Lenders Fund II, LLC, PRMH Lenders Fund III, LLC, Strategic Energy
Assets VI, LLC, Strategic Energy Assets VII, LLC, Choice Energy Holdings - I, LLC, Choice Energy
Holdings - II, LLC, Choice Energy Holdings - III, LLC, Legacy Energy, LLC, and Legacy Energy II,

1 LLC neither admit nor deny the Securities Division’s findings of fact and conclusions of law, as stated
2 below:

3 **FINDINGS OF FACT**

4 **Respondents**

5 **Individual Respondents**

6 1. Thomas Joseph Powell (Powell) (CRD No. 5573929) resides in Reno, Nevada. Powell is the
7 senior managing partner of Resolute Capital Partners, Ltd. (Resolute Capital) and was the interim chief
8 financial officer for the HomeBound, Inc. Powell, at all times, was the sole director of Resolute Capital,
9 through a holding company he owns.

10 2. Stefan Tiberiu Toth (Toth) resides in Frisco, Texas. Toth is the president of Home Bound
11 Financial Group, LP, president of HomeBound, Inc., and chairman and chief executive officer of
12 HomeBound Resources, LLC.

13 **Entity Respondents**

14 3. Resolute Capital Partners, Ltd. is a Nevada limited liability company formed on September
15 17, 2010, with offices in San Francisco, California, Irving, Texas, and St. Louis Park, Minnesota. Resolute
16 Capital advertises itself as providing “beyond Wall Street opportunities” to investors in the oil & gas, real
17 estate, and technology industries. Resolute Capital is the ultimate manager of Strategic Energy Assets, LLC,
18 Mountain High Capital, LLC, PRMH Lenders Fund, LLC, PRMH Lenders Fund II, LLC, PRMH Lenders
19 Fund III, LLC, Choice Energy Holdings I, LLC, Choice Energy Holdings II, LLC, Choice Energy Holdings
20 III, LLC, Legacy Energy, LLC, Legacy Energy II, LLC, Strategic Energy Assets III, LLC, Strategic Energy
21 Assets VI, LLC, and Strategic Energy Assets VII, LLC.
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1 4. HomeBound, Inc. is a Texas entity formed on February 26, 2010 with a principal place of
2 business in Irving, Texas. HomeBound, Inc. is the manager of Home Bound Financial Group, LP, and
3 HomeBound Resources, LLC.

4 5. Home Bound Financial Group, LP is Texas entity formed as a limited liability company in
5 2008 with a principal place of business in Irving, Texas. It was converted into a limited partnership in 2010.
6 Home Bound Financial Group, LP is a holding company for HomeBound, Inc.'s oil and gas activities.
7 Home Bound Financial Group, LP holds near-total interest in HomeBound Resources, LLC and PetroRock
8 Mineral Holdings, LLC, and all interests in Mercury Operating, LLC, the operating company for the wells
9 marketed to investors.

10 6. HomeBound Resources, LLC is a Texas entity formed on March 3, 2014 with a principal place
11 of business in Irving, Texas. HomeBound Resources is an oil and gas lease acquisition and development
12 company. HomeBound Resources is managed by Mercury Operating, LLC. HomeBound Resources was
13 described as the project sponsor in the oil and gas equity offering documents issued by the equity entities.
14

15 7. PetroRock Mineral Holdings, LLC (PetroRock) is a Texas entity formed on March 17, 2014,
16 with a principal place of business in Irving, Texas. PetroRock is responsible for acquiring oil and gas leases,
17 and is the parent company to PRMH Lenders Fund, LLC, PRMH Lenders Fund II, LLC, PRMH Lenders
18 Fund III, LLC, Choice Energy Holdings I, LLC, Choice Energy Holdings II, LLC, Choice Energy Holdings
19 III, LLC, Legacy Energy, LLC, and Legacy Energy II, LLC.

20 8. Strategic Energy Assets, LLC is a Delaware entity formed on September 9, 2016. Strategic
21 Energy Assets, LLC is a holding company for Strategic Energy Assets VI, LLC, and Strategic Energy
22 Assets VII, LLC. Strategic Energy Assets, LLC was described in the offering documents as the holding
23 company through which Resolute Capital managed these entities.
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1 9. Mountain High Capital, LLC is a Nevada entity formed on March 30, 2016. Mountain High
2 Capital was a holding company for HBR VI, LLC and Strategic Energy Assets - III, LLC. Mountain High
3 Capital, LLC's members were Powell, Toth, and three other individuals ("LL," "BW," and "LJ"). Mountain
4 High Capital was described in the offering documents as the manager for HBR VI, LLC and the holding
5 company through which Resolute Capital managed Strategic Energy Assets – III, LLC.

6 **Issuing Entity Respondents & Respondent References**

7 10. PRMH Lenders Fund, LLC, PRMH Lenders Fund II, LLC, PRMH Lenders Fund III, LLC,
8 Choice Energy Holdings I, LLC, Choice Energy Holdings II, LLC, Choice Energy Holdings III, LLC,
9 Legacy Energy, LLC, and Legacy Energy II, LLC, when referenced collectively in this action, shall be
10 referred to as the "Resolute Capital-HomeBound Debt Entities."

11 11. HBR VI, LLC, Strategic Energy Assets - III, LLC, Strategic Energy Assets VI, LLC, and
12 Strategic Energy Assets VII, LLC, when referenced collectively in this action, shall be referred to as the
13 "Resolute Capital-HomeBound Equity Entities."

14 12. HomeBound, Inc., HomeBound Financial Group, LP, HomeBound Resources, LLC, and
15 PetroRock Mineral Holdings, LLC, when referenced collectively in this action, shall be referred to as the
16 "HomeBound Companies."
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18 **Related Entities and Individuals**

19 13. Texas Mineral Holdings, LLC is a Wyoming entity formed on June 22, 2018, with a principal
20 place of business in Irving, Texas. Texas Mineral Holdings is an oil and gas holding company formed by
21 Powell and Toth.
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Nature of the Conduct

Overview

14. From approximately 2016 to the present, Resolute Capital raised, through the Resolute Capital-HomeBound Debt Entities and Resolute Capital-HomeBound Equity Entities, at least \$4,441,603.66 from at least 20 Washington investors to be used by the HomeBound Companies to acquire and develop oil and gas leases, working interests, and royalty interests. \$2,802,500.00 of this amount were funds originally invested by the Washington investors, while the remainder were reinvestments by these investors.

15. Resolute Capital's offering came in two forms: debt in the form of promissory notes, guaranteed by PetroRock, with terms between 9 and 36 months, and equity in the form of LLC interests to be held until the assets of the limited liability company were sold.

16. Resolute Capital promised investors in the Resolute Capital-HomeBound Debt Entities between 7.5% and 9% annually on their notes. Resolute Capital offered investors the choice of monthly payments at simple interest, or a payment at the end of the term with compounding interest. Except for in Choice Energy Holdings – I, Resolute Capital required in its note agreements that investors in the Resolute Capital-HomeBound Debt Entities give notice between thirty and sixty days before the end of their note term to have their principal returned. Otherwise, Resolute Capital would roll over the principal for a new note term. For Choice Energy Holdings – I, instead of Resolute Capital requiring investors to give notice to have their principal returned, it allowed investors to give notice to renew their note.

17. The Resolute Capital-Homebound Debt Entities would loan the proceeds to PetroRock. PetroRock, in turn, would use the loaned proceeds for purposes including to acquire oil and gas leases to be held by PetroRock or purchased by HomeBound Resources. Investors' promissory notes were secured

1 by portions of the oil leases owned by the HomeBound entities, and some also by a promissory note issued
2 from a paired equity entity to which PetroRock had loaned funds.

3 18. Resolute Capital structured the Resolute Capital-HomeBound Equity Entities so that, in the
4 event of a sale or other capital transaction, after taxes, royalty payments, lease expenses and payments to
5 its affiliated operating company, debt payments, a 40% share to HomeBound Resources, and the deduction
6 of Resolute Capital's expenses, investors as a whole would receive 42.5% percent of the remaining
7 distribution, and the holding company owned by Resolute Capital (either Mountain High Capital or
8 Strategic Energy Assets) would receive 57.5%. Resolute Capital stated that investors in the Resolute
9 Capital-HomeBound Equity Entities could also receive distributions from the regular operation of the wells
10 it acquired, subject to the same distribution structure as for capital transactions.

11 **Nature of Solicitation**

12 19. Beginning in 2016, Resolute Capital began to solicit sales of securities through a variety of
13 methods, including sales presentations, the use of a commission-based sales network, and, most recently,
14 a monthly fee sales agent network.

15 **Sales Presentations**

16 20. Respondents Powell and Toth, the senior managing partner and chief executive officer of
17 Resolute Capital and the HomeBound Companies, respectively, formed Mountain High Capital with LL,
18 BW, and LJ to raise funds from LL's client base in projects, including oil and gas. Mountain High Capital
19 was paid 57.5% of the profits from the operations and capital transactions of the Resolute Capital-
20 HomeBound Equity Entities in which it held interests. LL, through her wealth coaching and motivational
21 seminars, would moderate presentations of a series of opportunities, including oil and gas investments, to
22 attendees. The presenters, who at different times included Powell, Toth, and BW, would speak generally
23 about the opportunities, potential profits, and tax advantages in investments such as oil and gas. The
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1 presenters would speak specifically about the methods, company profile, and returns in previous projects
2 of HomeBound Resources. Additionally, the presenters would discuss how HomeBound Resources'
3 strategy reduced the risk of investing in oil and gas, the nature of its exit strategy, and how investors could
4 expect returns. Resolute Capital concurrently offered promissory notes and limited liability interests in the
5 Resolute Capital-HomeBound Debt and Equity Entities pursuant to this strategy, and after the presentation
6 investors could sign up to receive access to and invest in specific securities.

7 21. At the same event, BW would give a presentation to LL's clients about self-directed individual
8 retirement accounts (IRAs). Self-directed IRAs do not have the same restrictions as employer-sponsored
9 IRA plans, allow most assets to be held in the IRA, and often rely on the issuers to value the investments
10 held in the account. A third-party entity ("ISD") would charge a fee to transfer the investor's current
11 qualified plan assets into a self-directed IRA, and then provide the client information, including those of
12 Washington investors, to another individual ("BR") to persuade the investor to invest their assets into
13 various specific investments, including Resolute Capital-HomeBound Debt and Equity Entities.

14 22. LL, BW, and LJ, through ISD, would then receive compensation from the HomeBound
15 Companies for the investment the investor made in the Resolute Capital-HomeBound Debt and Equity
16 Entities. LL, BW, and LJ would receive a 10% commission for investments solicited by themselves or their
17 organizations. For investors who were clients of LL but were sold their investment by ISD or BR, LL would
18 receive a 3% commission and BW and LJ would receive a 7% commission.

19 **Commission Sales Agent Network**

20 23. Around the end of 2016, Powell and Resolute Capital reached an agreement with a sales agent
21 network to promote its offering. Among other activities, the network and its individual sales agents were
22 the primary point of contact for investors and identified the offering for investors, provided them with
23 offering documents, discussed the offering with them, and assisted them with completing their investment.
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1 Resolute Capital provided its private placement memoranda and other offering documents to the sales agent
2 network, and paid the sales agent network a commission between 8.25% and 12%, depending on the
3 product, for every investment it was successfully able to complete in the offering. The commission was
4 then distributed to the network's agents in a model similar to a multi-level marketing company, where
5 agents were paid an "upline," or a portion of the commissions of the agents they brought into the network.
6 The sales network would retain approximately a third of the commission Resolute Capital paid to it. This
7 network would also process the subscription agreements for many of the investors it placed in the Resolute
8 Capital-HomeBound Debt and Equity Entities. None of the agents who made sales in Washington were
9 registered in this state to make those sales. Many of the agents in the network did not hold any securities
10 licenses, and others were subject to disciplinary actions by various securities regulators, including those
11 that would cause the agent to be deemed a "bad actor" under Regulation D, Rule 506(d) of the Securities
12 Act of 1933, or otherwise disclosed. An issuer who uses a bad actor in its offering must register its offering
13 in the states in which it is conducting the offering.
14

15 **Monthly Fee Sales Agent Network**

16 24. Around October 2018, Resolute Capital moved from this sales structure to one it deemed
17 "compliant" with securities laws and regulations. However, instead of receiving a direct percentage from
18 each investment, sales agents would be paid a set fee per investor, and sales agents who previously met a
19 certain sales threshold would receive a monthly fee based on the gross funds raised by the agent in the
20 preceding year, adjusted by their results every quarter. Additionally, sales agents would be paid a multiplier
21 depending on the type of product the investor purchased, and an additional multiplier if Resolute Capital
22 added one for a product for a particular time period, most often a particular month.

23 25. For example, a sales agent with average sales of \$86,000.00 per investor who made more than
24 \$1,000,000.00 in sales in the previous year would be paid a referral fee of \$2,044.00 per sale, and a
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1 contractor fee of \$1,979.00 per month. If it was an equity product, the referral fee would be multiplied by
2 a base multiplier of 3 or 5, and if it was a debt product, the referral fee would be multiplied by the term of
3 the promissory note. Thus, a debt product with a term of 3 years would have a multiple of 3, and if the sale
4 was made during a month with an added multiplier, .75 multiplier would be added, netting the agent
5 described above a commission of \$7,665.00 for the sale, plus their contractor fee. If the agent had produced
6 more than \$2 million in sales in the previous year and had an average sale of \$125,000.00, or higher, both
7 the referral fee and contractor fee would be accordingly increased. If the sales agent had recruited other
8 sales agents who had made sales, the upline sales agent would also receive between .05% and 2.5% of the
9 total sales made by the downline sales agent, subject to the same multipliers.

10 26. Resolute Capital intended this compensation structure to roughly equal the compensation the
11 sales agents made under the previous compensation structure, and sales agents underwent regular reviews
12 which adjusted the compensation they received based on the funds they raised. Resolute Capital continued
13 to use the same sales agents who were a part of the previous sales network, only under the umbrella of a
14 different entity. These sales agents were paid a renewal commission on previous investments they solicited,
15 and continued to solicit investors by identifying the offering to them, directing them to offering documents,
16 and assisting them with completing their investment.

17 27. At least two sales agents also advertised Resolute Capital's offering on radio programs they
18 hosted. Similar to the presentations moderated by LL, these programs would talk about HomeBound
19 Resources' business operations and the benefits of investing in oil and gas, and then call on listeners to
20 contact the sales agent for more information.

21 Claims of Exemption

22 28. The Resolute Capital-HomeBound Debt and Equity Entities are unable to rely on their claimed
23 exemptions from registration for a number of reasons.
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1 29. Sales agents, not Resolute Capital, were the primary point of contact for investors prior to
2 investing in Resolute Capital-HomeBound Debt and Equity Entities. Resolute Capital provided promotional
3 documents to these sales agents, sales agents were permitted to help complete the documents for investors
4 the sales agents solicited, provide information such as copies of the investor's driver's license and bank
5 information, and communicated with Resolute Capital on behalf of investors they solicited. Further, for
6 investors who invested in debt investments, sales agents were enlisted and compensated for successfully
7 soliciting the investor to renew their investment at the end of the note's term.

8 30. These activities continued even after Resolute Capital moved sales agents to the new
9 compensation structure. Resolute Capital purportedly delinked the agent's compensation from the sales
10 process, compensating the agent for any referral the agent made even if it did not result in a completed
11 investment. However, the button the investor would have to press to constitute a referral for which payment
12 was made appeared at the end of a promotional presentation of HomeBound's history, and payment terms
13 and offering documents about the investment, and signaled that the prospective investor was ready fill out
14 forms to complete the investment process. Sales agents were still compensated based on the value of
15 investments they were able to place in Resolute Capital-HomeBound Debt and Equity Entities. Resolute
16 Capital would not pay referral fees unless specific customer information such as driver's licenses and bank
17 account numbers were uploaded. Sales agents would receive updates as the investors they solicited went
18 through each stage of the investment process, and were given access to view the investors' account
19 statements, company updates, and tax forms. Additionally, Resolute Capital would withhold payments to
20 sales agents or cancel their agreement if a certain percentage of investors they solicited on behalf of Resolute
21 Capital did not complete their investment.
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23 31. Resolute Capital and its sales network failed to ensure that solicitations were made only to
24 prospective investors to whom the registered individuals it engaged had a substantive, pre-existing
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1 relationship, and Resolute Capital did not develop such a relationship itself with these investors, prior to
2 the commencement of its offering. Further, Resolute Capital maintained that investors only needed to check
3 a box to show that they were accredited, and did not attempt to assess investors' sophistication beyond the
4 suitability form included in its subscription agreements.

5 32. While some of LL's clients filled out a profile for her events that included financial
6 information, this profile was not required, and, even when it was filled out, she was not a registered
7 individual able to establish a pre-existing, substantive relationship with potential investors, and the profile
8 itself asked for insufficient information to assess clients' financial circumstances and sophistication.

9 33. In the instances that the offering was not specifically discussed, presenters and sales agents
10 still discussed specific factors and advantages that made Resolute Capital and HomeBound's projects
11 appealing to investors while there was an ongoing offer and sale of securities.

12 34. Resolute Capital entities also failed to meet their claimed exemptions from registration in
13 other ways. For example, they did not provide audited financial statements, for themselves or for PetroRock,
14 to non-accredited investors. As a guarantor of the promissory notes, PetroRock was required to provide
15 these financial statements to non-accredited investors to meet the claimed exemption from registration.

16 35. Choice Energy Holdings – I, LLC included more than 35 non-accredited investors.

17 36. Resolute Capital's use of bad actors in the sales process, as described above, means it failed
18 to meet its claimed exemption from registration.

20 **Misrepresentations and Omissions**

21 37. In 2018, Resolute Capital and the HomeBound companies executed a related-party
22 transaction using the newly-formed Texas Mineral Holdings, LLC. Resolute Capital raised funds from
23 investors through its Legacy Energy, LLC offering.

1 38. After the funds were raised by Legacy Energy, it loaned this money to PetroRock, which in
2 turn loaned the money to Texas Mineral Holdings. Texas Mineral Holdings then used this loan to
3 purchase the HomeBound wells that constituted the HBR VI and Strategic Energy Assets - III projects.
4 Investors in HBR VI and Strategic Energy Assets - III were paid a capital distribution from this sale and
5 all other payments obligated to them.

6 39. Resolute Capital stated internally that the reason this sale was executed was because “three
7 individuals [BR, BW, and LJ] involved in raising funds for the project were identified as Bad Actors.”

8 40. Resolute Capital did not share this reasoning with its investors, and subsequently advertised
9 the returns from this sale in its future offering activities, without disclosing that the funds came from other
10 investors or that it was a related-party transaction.

11 41. Resolute Capital also failed to disclose to equity investors that, prior to this related-party
12 transaction, HomeBound Resources had not successfully exited any of its investor oil and gas projects.
13 The successful sale of its wells was a significant part of its stated strategy to generate investor returns in
14 its equity projects.

15 42. Resolute Capital did not disclose to investors that their investment would be used to
16 purchase assets the HomeBound Companies already owned. Additionally, after the sale occurred,
17 Resolute Capital did not disclose to investors in the Resolute Capital-HomeBound Debt Entities that such
18 a use of debt funds had previously occurred.

19 43. Beyond this related-party transaction, Resolute Capital failed to disclose the amount of
20 investors’ funds that would be used to pay interest to other investors or the amount of debt held by
21 affiliated companies.
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23 44. Resolute Capital and its sales agents failed to disclose material information related to key
24 figures in its sales process, including securities-related enforcement actions, litigation, and arbitrations
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1 against LL and her entity (in 2013, LL entered into a consent order with the Securities Division of the
2 Office of the Attorney General of another state regarding violations of its securities laws related to the
3 alleged offering and sale of securities and provision of investment advice to that state's residents.) and
4 criminal and administrative proceedings against BW (in 2017, BW pleaded guilty to securities fraud in
5 another state stemming from conduct related to another entity to which he was associated. BW's plea was
6 held in abeyance, and his charges were dismissed after he completed the terms of his plea deal. BW was
7 charged administratively for the same conduct, and the administrative case is still ongoing). Resolute
8 Capital's obligation to disclose the proceedings against BW continued even after he was no longer
9 involved in Resolute Capital's offering activities. Resolute Capital and its sales agents also failed to
10 disclose individual disciplinary actions taken against the sales agents to the prospective investors to whom
11 the sales agents were soliciting.

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13 45. Resolute Capital and its sales agents failed in a number of instances to disclose to investors
14 the sales compensation the agent would receive for successfully soliciting the investor to invest or renew
15 their investment, or that in certain time periods their compensation would increase via a multiplier for
16 investments made in that time period. Under the new compensation structure, they failed to disclose that
17 Resolute Capital would reduce their level of compensation if they did not place a certain dollar amount of
18 investments within a specified time period.

19 46. Resolute Capital provided contradictory risk information to investors regarding the risk of
20 investing in its entities. In communicating with investors about its products, Resolute Capital represented
21 that its securities were suitable for investors with at least moderate risk strategy. It also accepted investors
22 to invest who signaled a willingness to accept only a conservative risk for its investment. In reality, both
23 Resolute Capital's equity and debt products were high risk, which Resolute Capital recognized in its
24 subscription agreements.
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1 47. Resolute Capital's equity securities were high risk because, in order to receive the claimed
2 tax advantages, investors were liable to the entity they invested in to contribute a potentially unlimited
3 sum of money beyond their initial principal. The reasons Resolute Capital disclosed to investors that they
4 may need to contribute additional funds were related to costs to develop and operate the wells and
5 transport oil and gas, but did not disclose to investors that they could be liable for payments to debt
6 investors in the Resolute Capital-HomeBound Debt Entities.

7 48. Resolute Capital's promissory notes were also recognized by Resolute Capital as high risk.
8 Further, this risk was increased because many of the assets that secured their notes were valued based on
9 internal reports, and a substantial portion of the assets securing the notes were promissory notes issued by
10 the equity issuer for the loan given by PetroRock to the equity issuer. This means that investors' notes
11 were secured, in part, by the principal they invested.

12 **Registration Status**

13 49. The Resolute Capital-HomeBound Debt Entities are not currently registered to sell its
14 securities in the state of Washington and have not previously been so registered.

15 50. The Resolute Capital-HomeBound Equity Entities are not currently registered to sell its
16 securities in the state of Washington and have not previously been so registered.

17 51. Powell is not currently registered as a securities salesperson or broker-dealer in the state of
18 Washington and has not previously been so registered.

19 52. Toth is not currently registered as a securities salesperson or broker-dealer in the state of
20 Washington and has not previously been so registered.

21 53. Resolute Capital is not currently registered as a broker-dealer in the state of Washington and
22 has not previously been so registered.
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1 54. The HomeBound Companies are not currently registered as broker-dealers in the state of
2 Washington and have not previously been so registered.

3 55. Strategic Energy Assets is not currently registered as a broker-dealer in the state of
4 Washington and has not previously been so registered.

5 56. Mountain High Capital is not currently registered as a broker-dealer in the state of Washington
6 and has not previously been so registered.

7 Based upon its above Findings of Fact, the following Conclusions of Law are made by the Securities
8 Division:

9 **CONCLUSIONS OF LAW**

10 1. The offer and/or sale of the promissory notes, guarantees, and LLC interests described above
11 constitute the offer and/or sale of a security as defined in RCW 21.20.005(14) and (17).

12 2. Respondents Powell, Toth, Resolute Capital, the HomeBound Companies, Strategic Energy
13 Assets, Mountain High Capital, and the Resolute Capital-HomeBound Debt and Equity Entities have
14 violated RCW 21.20.140, because, as set forth in the Findings of Fact, Respondents offered and/or sold
15 securities for which no registration is on file with the Securities Administrator.

16 3. Respondents Powell, Toth, Resolute Capital, the HomeBound Companies, Strategic Energy
17 Assets, and Mountain High Capital have each violated RCW 21.20.040(1) by, as set forth in the Findings
18 of Fact, offering and/or selling said securities while not being registered as securities salespersons or broker-
19 dealers in the state of Washington.

20 4. Respondents Resolute Capital and the Resolute Capital-HomeBound Debt and Equity Entities
21 have violated RCW 21.20.040(2) by, as set forth in the Findings of Fact, employing securities salespeople
22 without registration or an exemption from registration.
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1 5. Respondents Powell, Toth, Resolute Capital, the HomeBound Companies, Strategic Energy
2 Assets, Mountain High Capital, and the Resolute Capital-HomeBound Debt and Equity Entities have each
3 violated RCW 21.20.010, because, as set forth in the Findings of Fact, Respondents made untrue statements
4 of material fact or omitted to state material facts necessary to make the statements made, in light of the
5 circumstances in which they were made, not misleading.

6 **CONSENT ORDER**

7 IT IS AGREED AND ORDERED that Respondents Powell, Toth, Resolute Capital, the
8 HomeBound Companies, Strategic Energy Assets, Mountain High Capital, and the Resolute Capital-
9 HomeBound Debt and Equity Entities, and their agents and employees acting in connection with activities
10 undertaken on behalf of and for the benefit of Respondents, each shall cease and desist from violating RCW
11 21.20.140, the securities registration section of the Securities Act of Washington.

12 IT IS FURTHER AGREED AND ORDERED that Respondents Powell, Toth, Resolute Capital, the
13 HomeBound Companies, Strategic Energy Assets, and Mountain High Capital, and their agents and
14 employees acting in connection with activities undertaken on behalf of and for the benefit of Respondents,
15 each shall cease and desist from violating RCW 21.20.040, the securities salesperson and broker-dealer
16 registration section of the Securities Act of Washington.

17 IT IS FURTHER AGREED AND ORDERED that Respondents Powell, Toth, Resolute Capital, the
18 HomeBound Companies, Strategic Energy Assets, Mountain High Capital, and the Resolute Capital-
19 HomeBound Debt and Equity Entities, and their agents and employees acting in connection with activities
20 undertaken on behalf of and for the benefit of Respondents, each shall cease and desist from violations of
21 RCW 21.20.010, the anti-fraud section of the Securities Act of Washington.

22 IT IS FURTHER AGREED AND ORDERED that Respondents Powell, Toth, Resolute Capital, the
23 HomeBound Companies, Strategic Energy Assets, Mountain High Capital, and the Resolute Capital-
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1 HomeBound Debt and Equity Entities shall be jointly and severally liable for and shall pay a fine of
2 \$200,000.00 on or before the entry of this Consent Order.

3 IT IS FURTHER AGREED AND ORDERED that Respondents Powell, Toth, Resolute Capital, the
4 HomeBound Companies, Strategic Energy Assets, Mountain High Capital, and the Resolute Capital-
5 HomeBound Debt and Equity Entities shall be jointly and severally liable for and shall pay the actual
6 investigative costs incurred of \$63,525.00 on or before entry of this Consent Order.

7 IT IS FURTHER AGREED that the Securities Division has jurisdiction to enter this Consent Order.

8 IT IS FURTHER AGREED that Respondents Powell, Toth, Resolute Capital, the HomeBound
9 Companies, Strategic Energy Assets, Mountain High Capital, and the Resolute Capital-HomeBound Debt
10 and Equity Entities entered into this Consent Order freely and voluntarily and with a full understanding of
11 its terms and significance.

12 IT IS FURTHER AGREED AND ORDERED that this Consent Order shall be binding on Powell,
13 Toth, Resolute Capital, the HomeBound Companies, Strategic Energy Assets, Mountain High Capital, and
14 the Resolute Capital-HomeBound Debt and Equity Entities and fully enforceable by the Securities Division
15 should they violate the terms of this Consent Order, but it shall not be admissible in any other proceeding
16 or action by any private party or government entity, and shall have no collateral estoppel or claim or issue
17 preclusion effect in any such proceeding.

18 IT IS FURTHER AGREED AND ORDERED that this Consent Order does not constitute evidence
19 or an admission by the Respondents and/or any of their current or former personnel regarding the existence
20 or non-existence of any issue, fact, or violation of any law alleged by the Securities Division.

21 IT IS FURTHER AGREED AND ORDERED that nothing in this Consent Order affects
22 Respondents' and/or any of their current or former personnel's (i) testimonial obligations or (ii) right to
23 take legal or factual positions in litigation or other legal proceedings.
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IT IS FURTHER AGREED that this Consent Order fully resolves any causes of action that may be asserted against Respondents with respect to the Securities Division’s investigation of this matter and the matters alleged in this Consent Order.

IT IS FURTHER AGREED that, in any offerings conducted in connection with the Respondents after the entry of this Consent Order, any offer, sale, and/or referral to Washington state-resident investors shall only occur through investment advisers or broker-dealers registered with the Securities Division; and the issuer shall provide to the Securities Division, before any offer, sale and/or referral to Washington residents, updated policies and procedures demonstrating sufficient processes designed to reasonably ensure compliance with the Consent Order.

IT IS FURTHER AGREED that in consideration of the foregoing, that Powell, Toth, Resolute Capital, the HomeBound Companies, Strategic Energy Assets, Mountain High Capital, and the Resolute Capital-HomeBound Debt and Equity Entities waive their right to a hearing and to judicial review of this matter pursuant to RCW 21.20.440 and Chapter 34.05 RCW.

WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE.

Signed this 7th day of May, 2021.

Signed by:

Resolute Capital Partners, Ltd.

HomeBound Resources, LLC

Signed: /s/
By: Jason Kramer
Title: Manager
Date: May 7, 2021

Signed: /s/
By: HomeBound Resources, LLC
Title: Manager
Date: May 7, 2021

1 **PetroRock Mineral Holdings, LLC**

2 Signed: /s/
3 By: HomeBound Resources, LLC
4 Title: Manager
Date: May 7, 2021

5 **Mountain High Capital, LLC**

6 Signed: /s/
7 By: Jason Kramer
8 Title: Manager
Date: May 7, 2021

9 **HBR VI, LLC**

10 Signed: /s/
11 By: Jason Kramer
12 Title: Manager
Date: May 7, 2021

13 **Strategic Energy Assets - III, LLC**

14 Signed: /s/
15 By: Jason Kramer
16 Title: Manager
Date: May 7, 2021

17 **PRMH Lenders Fund, LLC**

18 Signed: /s/
19 By: Jason Kramer
20 Title: Manager
Date: May 7, 2021

21 **PRMH Lenders Fund II, LLC**

22 Signed: /s/
23 By: Jason Kramer
24 Title: Manager
Date: May 7, 2021

PRMH Lenders Fund III, LLC

Signed: /s/
By: Jason Kramer
Title: Manager
Date: May 7, 2021

Strategic Energy Assets VI, LLC

Signed: /s/
By: Jason Kramer
Title: Manager
Date: May 7, 2021

Strategic Energy Assets VII, LLC

Signed: /s/
By: Jason Kramer
Title: Manager
Date: May 7, 2021

Choice Energy Holdings - I, LLC

Signed: /s/
By: Jason Kramer
Title: Manager
Date: May 7, 2021

Choice Energy Holdings - II, LLC

Signed: /s/
By: Jason Kramer
Title: Manager
Date: May 7, 2021

Choice Energy Holdings - III, LLC

Signed: /s/
By: Jason Kramer
Title: Manager
Date: May 7, 2021

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Legacy Energy, LLC

Signed: /s/
By: Jason Kramer
Title: Manager
Date: May 7, 2021

Signed by:

/s/
Thomas Joseph Powell
Individually

Approved as to form by:

/s/
Brian Neil Hoffman, Attorney for Respondents
State Bar of Colorado License #32999

Legacy Energy II, LLC

Signed: /s/
By: Jason Kramer
Title: Manager
Date: May 7, 2021

Signed by:

/s/
Stefan Tiberiu Toth
Individually

/s/
Callie A. Castillo, Attorney for Respondents
WSBA License #38214

Signed and Entered this 26th day of May, 2021.



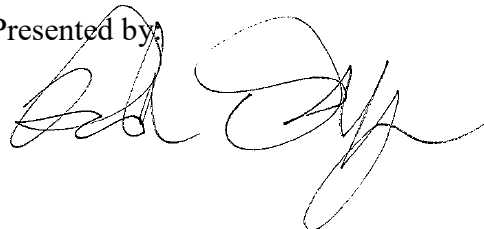
William M. Beatty
Securities Administrator

Approved by:




CONSENT ORDER

Presented by:



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Suzanne Sarason
Chief of Enforcement
Reviewed by:



Jack McClellan
Financial Legal Examiner Supervisor

Patrick Stickney
Financial Legal Examiner

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HomeBound, Inc.

Signed: /s/
By: HomeBound Resources, LLC
Title: Manager
Date: May 24, 2021

Home Bound Financial Group, LP

Signed: /s/
By: HomeBound Resources, LLC
Title: Manager
Date: May 24, 2021

Strategic Energy Assets, LLC

Signed: /s/
By: Jason Kramer
Title: Manager
Date: May 24, 2021

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