

STATE OF OREGON
DEPARTMENT OF CONSUMER AND BUSINESS SERVICES
DIVISION OF FINANCIAL REGULATION

In the Matter of:

Case No. S-18-0040

CHARLES L. FROST aka
CHARLES "JACK" FROST dba
BOWLS4LIFE.COM dba
BOWLS4LIFE dba ACRE, an
Individual,

Respondent,

ORDER TO CEASE AND DESIST,
ORDER DENYING USE OF
EXEMPTIONS, ORDER TO REFRAIN
FROM LICENSE APPLICATIONS,
ORDER ASSESSING CIVIL
PENALTIES, AND CONSENT TO
ENTRY OF ORDER

The Director of the Department of Consumer and Business Services for the State of Oregon ("Director"), acting in accordance with Oregon Revised Statutes ("ORS") 59.005 to 59.451, 59.991 and 59.995, and Oregon Administrative Rules ("OAR") chapter 441 (collectively, "the Oregon Securities Law") and ORS chapters 731, 732, 733, 734, 735, 737, 742, 743, 743A, 743B, 744, 746, 748 and 750 and the administrative rules promulgated thereunder (collectively, "the Insurance Code"), has conducted an investigation into the activities of Charles L. Frost aka Charles "Jack" Frost dba "Bowls4Life.com" dba "Bowls4Life" dba "Acre" (collectively, "Respondent") and determined that Respondent engaged in violations of the Oregon Securities Law and the Insurance Code.

Respondent, without admitting or denying the Director's findings of fact or conclusions of law, wishes to resolve and settle this matter with the Director.

Now, therefore, as evidenced by the signature(s) subscribed on this Order, Respondent hereby CONSENTS to entry of this Order.

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Division of Financial Regulation
Labor and Industries Building
350 Winter Street NE, Suite 410
Salem, OR 97301-3881
Telephone: (503) 378-4387



1 FINDINGS OF FACT

2 The Director FINDS that:

3 1. On June 5, 2006, Respondent was issued an Oregon resident insurance producer
4 license (“Insurance License”).¹ Respondent’s national producer number is 8799608.

5 2. On September 27, 2010, Respondent was issued an Oregon investment advisor
6 representative license (“IAR License”). Respondent’s Central Registration Depository
7 (“CRD”) number is 5649251.

8 3. From in or around September 2010 through on or around March 25, 2016,
9 Respondent was employed by Brookstone Capital Management LLC (“Brookstone”).²

10 4. In or around July 2015, Respondent began a business venture in the restaurant
11 industry. At various times, the business was identified as “Bowls4Life.com,”
12 “Bowls4Life” and/or “Acre” (collectively, “the Company”).

13 5. From in or around August 2015 through in or around March 2017, Respondent,
14 by and through the Company, sold convertible promissory notes (“Notes”) to numerous
15 Oregon residents (collectively, “the Oregon Investors”), under which Respondent received
16 funds to be repaid with interest over a three-year period. The Notes included option(s) for
17 conversion into shares of the Company.

18 6. Respondent entered into Notes with the Oregon Investors as follows:

19 A. On or around August 27, 2015, Respondent sold a Note to “RB” and
20 “JB” for \$25,000.

21 i. On or around May 13, 2016, Respondent added an addendum to
22 the Note with RB/JB, under which RB/JB paid Respondent an additional
23 \$20,000.

24 ii. On or around March 14, 2017, Respondent added a second
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26 ¹ Respondent’s Insurance License expired effective July 31, 2018.

² Brookstone’s CRD number is 141413.





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addendum to the Note with RB/JB, under which RB/JB paid Respondent an additional \$20,000.

B. On or around September 1, 2015, Respondent sold a Note to “KH” and “AH” for \$25,000.

i. On or around August 24, 2016, Respondent added an addendum to the Note with KH/AH, under which KH/AH paid Respondent an additional \$10,000.

ii. On or around March 13, 2017, Respondent added a second addendum to the Note with KH/AH, under which KH/AH paid Respondent an additional \$10,000.

C. On or around October 1, 2015, Respondent sold a Note to “BP” for \$25,000.

i. On or around February 19, 2016, Respondent added an addendum to the Note with BP, under which BP paid Respondent an additional \$5,000.

ii. On or around September 16, 2016, Respondent added a second addendum to the Note with BP, under which BP paid Respondent an additional \$10,000.

iii. On or around March 20, 2017, Respondent added a third addendum to the Note with BP, under which BP paid Respondent an additional \$10,000.

D. On or around November 10, 2015, Respondent sold a Note to “AL” and “EL” for \$25,000.

i. On or around September 17, 2016, Respondent added an addendum to the Note with AL/EL, under which AL/EL paid Respondent an additional \$20,000.



1 E. On or around November 11, 2015, Respondent sold a Note to “DD” for
2 \$25,000.³

3 F. On or around February 21, 2016, Respondent sold a Note to “RN” and
4 “CN” for \$43,000.

5 G. On or around March 19, 2016, Respondent sold a Note to “DC” and
6 “SC” for \$25,000.

7 i. On or around September 14, 2016, Respondent added an
8 addendum to the Note with DC/SC, under which DC/SC paid Respondent
9 an additional \$10,000.

10 H. On or around September 7, 2016, Respondent sold a Note to “GF” for
11 \$10,000.⁴ GF’s Note contained the statement, “This is a debt instrument between
12 the parties listed herein and is not a security.”

13 I. On or around November 11, 2016, Respondent sold a Note to “DH” for
14 \$25,000. DH’s Note contained the statement, “This is a debt instrument between
15 the parties listed herein and is not a security.”

16 7. From in or around August 2015 through in or around March 2017, Respondent
17 created promotional materials to solicit financial investments in the Company and provided
18 them to the Oregon Investors. The promotional materials were shared with the Oregon
19 Investors as follows:

20 A. In or around August 2015, Respondent created a business plan (“August
21 2015 Business Plan”) and provided it to RB/JB, KH/AH, BP, AL/EL, DD and
22 AN/CN. The August 2015 Business Plan:

23 i. Identified the Company’s “leadership team” as consisting of
24 Respondent, F. David Lent (“Lent”) and Heather Hunter (“Hunter”);

25
26 ³ DD was 71 years old at the time and is now deceased.

⁴ GF was 81 years old at the time.



1 ii. Identified the Company’s venture as a “fast casual restaurant
2 concept”;

3 iii. Indicated that the Company sought \$250,000 in “seed money”
4 from investors, which was projected to last for 11 to 12 months. Of the
5 \$250,000:

6 a. \$1,500 would be spent on “incorporation of entity and
7 investment documents;”

8 b. \$60,000 would be spent on fees for Lent;

9 c. \$40,000 would be spent on fees for Respondent; and

10 d. \$16,500 would be spent on fees for Hunter; and

11 iv. Projected that, upon opening its first restaurant, the Company
12 would earn between \$1 and \$2 million in annual revenue.

13 B. Respondent did not disclose in the August 2015 Business Plan that by
14 spending \$116,500, or 46% of the investors’ seed money, on fees for Respondent,
15 Lent and Hunter, the Company risked exhausting funds needed to develop and
16 support the venture and that this would negatively affect the Company’s likelihood
17 of success.

18 C. In or around December 2015, Respondent created an addendum to the
19 business plan (“Addendum”) and provided it to at least some of the Oregon
20 Investors. In the Addendum, Respondent claimed to need an additional \$175,000
21 to “complete first round funding” and fund the Company through June 2016.⁵

22 D. In or around March 2016, Respondent revised the business plan
23 (“Revised Business Plan”) and provided it to DC/SC, GF and DH. The Revised
24 Business Plan:

25 i. Contained the claim that Respondent needed an additional

26 ⁵ At this time, Respondent had already received \$125,000 from the Oregon Investors.



1 \$200,000 to “complete first round funding” and fund the Company through
2 June 2016;⁶

3 ii. Included the following timelines for completion of the
4 Company’s developmental goals:

5 a. Website and App development – March 2016 through
6 September 2016;

7 b. Locate real estate and negotiate lease – March 2016
8 through August 2016; and

9 c. Restaurant launch – November 2016 through February
10 2017;⁷ and

11 iii. Contained revised financial projections as follows:

12 a. In the restaurant’s first year, the Company would
13 generate \$1 to \$2 million in revenue, with a profit margin of 18 to
14 22%;

15 b. Within three years, the Company would operate five
16 restaurants projected to generate revenues of \$12 to \$15 million,
17 with net profits between \$2.5 and \$3.5 million.

18 E. In or around August 2016, Respondent drafted a project update
19 (“Project Update”) and provided it to at least one of the Oregon Investors. In the
20 Project Update, Respondent claimed to need an additional \$150,000 to “complete
21 first round funding” and fund the Company through the end of 2016.⁸

22 F. In or around March 2017, Respondent created a slideshow presentation
23 (“Presentation”) and shared it with potential Company investors, including at least
24 one of the Oregon Investors. In the Presentation, Respondent claimed that, within

25 ⁶ At this time, Respondent had already received \$173,000 from the Oregon Investors.

26 ⁷ To date, Respondent has not completed any of these goals.

⁸ At this time, Respondent had already received \$218,000 from the Oregon Investors.



1 the next five years, Respondent intended to open ten restaurant locations, with a
2 “projected average unit volume” of \$2 to \$3 million.

3 G. Respondent did not disclose in the Presentation the reasons(s) that the
4 Company had completed none of the developmental goals in the Revised Business
5 Plan.

6 8. None of Respondent’s promotional materials disclosed:

7 A. Material risk factors for the potential investors to consider, such as the
8 Company’s lack of operating history and revenue stream, the failure rate for new
9 fast casual restaurant ventures, and the unpredictable nature of the restaurant
10 industry;

11 B. The significant risk that the Company would not meet its revenue
12 projections, due in part to the reasons set forth in (8)(A).

13 C. The criteria and formula that Respondent used to calculate the financial
14 projections;

15 D. That Respondent’s financial projections far exceeded fast casual
16 restaurant industry standards;⁹

17 E. The reason(s) that Respondent’s assessment of the Company’s financial
18 needs kept changing; and

19 F. How Respondent had spent the money it already received from the
20 Oregon Investors.¹⁰

21 9. At no time did Respondent incorporate the Company.

22 10. At no time did Respondent prepare substantiated financial projections for the
23

24 ⁹ In 2013, the fast casual segment of the restaurant industry had an average net profit margin of six percent.
25 See <http://smallbusiness.chron.com/average-profit-margin-restaurant-13477.html>.

26 ¹⁰ Respondent’s promotional materials each provided a detailed accounting of how the Company would spend investor funds. The accountings were highly inaccurate and inflated the funds that would be spent on resources other than fees for Respondent, Lent and Hunter. As a result, the Oregon Investors were unaware just how large a percentage of their investment funds were spent on those fees.



1 Oregon Investors to review.¹¹

2 11. On or around March 25, 2016, Brookstone terminated Respondent’s
3 employment because Respondent had sold the foregoing Notes without notifying
4 Brookstone or seeking its permission. Brookstone determined that such activities were
5 contrary to its internal policy and employment agreement with Respondent.

6 12. On or around April 4, 2016, Brookstone filed a Form U-5 with the Financial
7 Industry Regulatory Authority (“FINRA”) regarding the termination of Respondent’s
8 employment. The Form U-5 is the Uniform Termination Notice for Securities Industry
9 Registration. Broker-dealers, investment advisers, and issuers of securities must use this
10 form to terminate the registration of an individual in the appropriate jurisdictions and/or
11 self-regulatory organizations.

12 13. Respondent failed to disclose to the Oregon Investors that his employment with
13 Brookstone and IAR License had each been terminated.

14 14. In or around August 2017, Respondent terminated Lent and Hunter’s contracts
15 with the Company.

16 15. Respondent wrote a letter to Lent, dated March 13, 2018, under the State of
17 Texas’s Deceptive Trade Practices Act (“DTPA”), which alleged that Lent had violated the
18 DTPA. In the letter, Respondent made the following representations:

19 A. In February and March 2017, Lent “misused [the Company’s] assets to
20 work on another project for what appears to be personal gain;”

21 B. Lent’s “refusal, neglect and failure to return all [the Company’s]
22 proprietary documents that were created for hire have thwarted [Respondent’s]
23 ability to continue [the Company] and has limited [the Company’s] ability to
24 continue;” and

25 _____
26 ¹¹ Respondent created a spreadsheet containing figures that were purportedly five-year financial projections for one restaurant. The figures were presented without support or explanation of the criteria and formula used to calculate them.



1 C. Lent and Hunter were “still in possession of all properties owned by
2 [Respondent] and [the Company] noteholders.”

3 16. On or around October 6, 2017, Respondent provided the Division with a letter
4 in which he made the following representations:

5 A. [Lent and Hunter] cost [the Company] about \$240,000 in fees and
6 travel;

7 B. Lent and Hunter had blocked Respondent’s company e-mail account
8 “which puts [Respondent] at significant harm in proving [his] case of default and
9 breach [of contract];” and

10 C. The Company owed a consulting firm \$20,000 it could not afford to pay,
11 and only Lent and Hunter had possession of the firm’s work product.

12 17. In 2017, Respondent made interest payments on the Notes to RB/JB, KH/AH,
13 BP, AL/EL and GF. As the Company had generated no profit or revenue, Respondent used
14 the Company’s investor funds to make these payments.

15 18. Respondent failed to inform the Oregon Investors he would use their investor
16 funds to make interest payments on the Notes.

17 19. To date, Respondent has received approximately \$478,000 in investor funds,
18 including approximately \$343,000 from the Oregon Investors. \$25,000 of that sum was
19 returned to DD. Approximately \$220,000 was collected as fees for Respondent, Lent and
20 Hunter. An additional \$60,000 was spent on their travel costs.

21 20. Approximately 60% of all the Company’s investment funds were spent on fees
22 and travel for Respondent, Lent and Hunter.

23 21. The Oregon Investors had no control over the investment funds they provided
24 to Respondent.

25 22. The Oregon Investors were passive because they did not play an active role in
26 the Company’s business operations and relied solely on the efforts and expertise of

1 Respondent, Lent and Hunter to realize a return on their investments.

2 23. At no time were the Notes registered with the Director under ORS 59.055.

3 24. At no time has Respondent held an Oregon broker-dealer or securities
4 salesperson license, or otherwise been licensed with the Director to sell securities in
5 Oregon under ORS 59.165.

6 25. In determining the identities of the Oregon Investors and sums of their
7 investments, the Division has relied upon information provided by Respondent. Exhibit A
8 to this Order is based upon such information and accounts for all Oregon Investors of which
9 the Division is aware.

10 CONCLUSIONS OF LAW

11 The Director CONCLUDES that:

12 26. The Notes that Respondent sold to the Oregon Investors are securities under
13 ORS 59.015(19)(a), as they are either notes, evidence of indebtedness or investment
14 contracts, as defined thereunder.

15 27. In connection with the sale of the Notes, Respondent directly and indirectly
16 made untrue statements of material fact in violation of ORS 59.135(2), as follows:

17 A. That GF and DH's Notes were not securities;

18 B. That the Company could realistically be expected to generate profit
19 margins of 18 to 22% in its first three years; and

20 C. That Respondent would use investor funds to incorporate the Company.

21 28. In connection with the sale of the Notes, Respondent directly and indirectly
22 omitted to state material facts in violation of ORS 59.135(2), as follows:

23 A. That Respondent would use the Oregon Investors' own investment
24 funds to make interest payments on the Notes;

25 B. That by spending \$116,500, or 46% of the investors' seed money, on
26 fees for Respondent, Lent and Hunter, the Company risked exhausting funds





1 needed to develop and support the venture and this would negatively affect the
2 Company's likelihood of success;

3 C. Material risk factors for the Oregon Investors to consider, such as the
4 Company's lack of operating history and revenue stream, the failure rate for new
5 fast casual restaurant ventures, and the unpredictable nature of the restaurant
6 industry;

7 D. The criteria and formula that Respondent used to calculate the
8 Company's financial projections;

9 E. That Respondent's financial projections far exceeded fast casual
10 restaurant industry standards;

11 F. The reason(s) that Respondent's assessment of the Company's financial
12 needs kept changing, resulting in four separate solicitations for "first round
13 funding;"

14 G. How Respondent spent the Oregon Investors' investment funds;

15 H. The termination of Respondent's employment with Brookstone and his
16 IAR License; and

17 I. The reasons(s) that Respondent had completed none of the Company's
18 developmental goals in the Revised Business Plan.

19 29. By selling securities to the Oregon Investors, Respondent transacted business
20 as a securities salesperson under ORS 59.015(18)(a).

21 30. By transacting business in Oregon as a securities salesperson without holding
22 an Oregon broker-dealer or securities salesperson license, or otherwise being licensed with
23 the Director to sell securities in Oregon, Respondent violated ORS 59.165(1).

24 31. By selling unregistered securities to the Oregon Investors, Respondent violated
25 ORS 59.055.

26 32. Because the Director has reason to believe that Respondent has engaged, is

1 engaging, or is about to engage in violations of the Oregon Securities Law, the Director
2 may issue an order to Respondent to cease and desist from violations of the Oregon
3 Securities Law under ORS 59.245(4).

4 33. Because the Director has reason to believe that Respondent has engaged or is
5 about to engage in violations of the Oregon Securities Law, the Director may deny
6 Respondent the use of exemptions to the securities registration requirements under ORS
7 59.045(2).

8 34. By committing the foregoing violations of the Oregon Securities Law,
9 Respondent demonstrated incompetence, untrustworthiness and financial irresponsibility
10 in the conduct of business in Oregon, and the Director may take enforcement action his
11 Insurance License under ORS 744.074(1)(h).

12 35. Because the Director has reason to believe that Respondent has engaged, is
13 engaging, or is about to engage in violations of the Insurance Code, the Director may issue
14 an order to Respondent to cease and desist from violations of the Insurance Code under
15 ORS 731.252(1).

16 **ORDERS**

17 Now therefore, the Director issues the following ORDERS:

18 36. As authorized by ORS 59.245(4), the Director hereby ORDERS Respondent to
19 CEASE AND DESIST from violating any provision of the Oregon Securities Law.

20 37. As authorized by ORS 59.045(2), the Director hereby DENIES Respondent,
21 and any successor business entity or any business entity owned, operated, or controlled by
22 Respondent, the use of exemptions that would otherwise be available to Respondent under
23 ORS 59.025 and ORS 59.035, concerning securities and transactions exempt from the
24 registration requirements of the Oregon Securities Law.

25 38. As authorized by ORS 59.995, the Director hereby ORDERS that Respondent
26 pay a CIVIL PENALTY totaling \$60,000 as follows:

Division of Financial Regulation
Labor and Industries Building
350 Winter Street NE, Suite 410
Salem, OR 97301-3881
Telephone: (503) 378-4387





- 1 A. \$40,000 for violating ORS 59.135(2) (\$20,000 per violation);
- 2 B. \$10,000 for violating ORS 59.165(1); and
- 3 C. \$10,000 for violating ORS 59.055.

4 39. The Director hereby suspends payment of \$60,000 of the CIVIL PENALTY for
5 a period of three years, provided Respondent:

- 6 A. Pays \$54,000 in restitution to the Oregon Investors as set forth in Exhibit
7 A, within one year from the effective date of this Order, and provides the Division
8 with documentation of such payments within that timeframe; and
- 9 B. Does not violate the Oregon Securities Law and/or Insurance Code
10 within the three-year time period.

11 40. The suspended CIVIL PENALTY (\$60,000) will be waived three years from
12 the effective date of this Order, provided Respondent has complied with the foregoing
13 Order terms. The Director reserves the right to immediately assess and collect the
14 suspended civil penalty upon a determination that Respondent has violated any term of this
15 Order.

16 41. Respondent stipulates and agrees that the amounts assessed in Paragraphs (38)
17 and (39) are not dischargeable under 11 U.S.C. 523(a)(7).

18 42. As authorized by ORS 731.252(1), the Director hereby ORDERS Respondent
19 to CEASE AND DESIST from violating any provision of the Insurance Code.

20 43. Respondent hereby AGREES to not apply for any license governed or regulated
21 by the Oregon Securities Law and/or Insurance Code.

22 44. As authorized by ORS 731.252(1), the Director hereby ORDERS Respondent
23 to CEASE AND DESIST from violating any provision of the Insurance Code.

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1 45. This Order is a “Final Order” under ORS 183.310(6)(b). Subject to that
2 provision, the entry of this Order does not limit other remedies available to the Director
3 under Oregon law.

4
5 SO ORDERED this 18th day of March, 2019.

6
7 CAMERON C. SMITH, Director
8 Department of Consumer and Business Services

9 /s/ Dorothy Bean
10 Dorothy Bean, Chief of Enforcement
11 Division of Financial Regulation

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Division of Financial Regulation
Labor and Industries Building
350 Winter Street NE, Suite 410
Salem, OR 97301-3881
Telephone: (503) 378-4387



EXHIBIT A

Investor	Investment Sum	Percentage of Total Oregon Investments (Excluding DD)	Pro Rata Share of Restitution
RB/JB	\$65,000	20.4%	\$11,000
KH/AH	\$45,000	14.2%	\$7,600
BP	\$50,000	15.7%	\$8,500
AL/EL	\$45,000	14.2%	\$7,600
AN/CN	\$43,000	13.5%	\$7,300
DC/SC	\$35,000	11.0%	\$5,900
GF	\$10,000	3.1%	\$1,800
DH	\$25,000	7.9%	\$4,300

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CONSENT TO ENTRY OF ORDER

I, Charles L. Frost aka Charles “Jack” Frost, state that I have read the foregoing Order and that I know and fully understand the contents hereof. I have been advised of my right to a hearing and of my right to be represented by counsel in this matter. I voluntarily consent to the entry of this Order without any force or duress, expressly waiving any right to a hearing in this matter, as well as any rights to administrative or judicial review of this Order. I understand that the Director reserves the right to take further actions against me to enforce this Order or to take appropriate action upon discovery of other violations of the Oregon Securities Law and/or Insurance Code by me. I will fully comply with the terms and conditions stated herein.

I further assure the Director that neither I nor my officers, directors, employees, or agents will effect securities and/or insurance transactions in Oregon unless such activities are in full compliance with the Oregon Securities Law and/or Insurance Code. I understand that this Consent Order is a public document.

/s/ Charles Frost
Charles L. Frost aka Charles “Jack” Frost

State of Texas

County of Bexar

Signed or attested before me on this 11th day of March, 2019

by Charles L. Frost aka Charles “Jack” Frost.

/s/ Natalya Lazareva
Notary Public

Division of Financial Regulation
Labor and Industries Building
350 Winter Street NE, Suite 410
Salem, OR 97301-3881
Telephone: (503) 378-4387

