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:

Jonathan Tutt; Jonathan Carter,

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Order No. S-23-3587-24-SC01

STATEMENT OF CHARGES AND NOTICE OF INTENT TO ENTER ORDER TO CEASE AND DESIST, TO IMPOSE A FINE, AND TO CHARGE COSTS

Respondents.

THE STATE OF WASHINGTON TO:

Jonathan Tutt Jonathan Carter

STATEMENT OF CHARGES

Please take notice that the Securities Administrator of the State of Washington has reason to believe that Respondents Jonathan Tutt and Jonathan Carter have violated the Securities Act of Washington. The Securities Administrator believes these violations justify the entry of an order against Respondents Jonathan Tutt and Jonathan Carter to cease and desist from such violations, to impose a fine, and to charge costs pursuant to RCW 21.20.390 and RCW 21.20.395. The Securities Administrator finds as follows:

TENTATIVE FINDINGS OF FACT

Respondents

- 1. Jonathan Tutt ("Tutt"), a Washington resident, was the President and CEO of Unfiltered Inc.
- 2. Jonathan Carter ("Carter"), a Washington resident, was the Vice President of Unfiltered Inc.

Related Entity

3. Unfiltered Inc. ("Unfiltered") was a Washington corporation formed on or around July 24, 2017, and dissolved on or around June 8, 2020. Unfiltered was in the business of operating an online subscription service for Christian worship music.

STATEMENT OF CHARGES

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Nature of the Offering

Overview

4. From 2017 to 2018, Unfiltered offered and sold at least 33 shares of stock to 6 investors, raising more than \$316,000. At least 4 of these investors were residents of the state of Washington, and they purchased at least \$300,000 of stock. Between October 2017 and May 2018, the Respondents offered and sold \$240,000 of unregistered Unfiltered stock to Investor A, a Washington resident. The Respondents were not registered securities salespersons or broker-dealers in the State of Washington. While offering and selling stock to Investor A, the Respondents failed to disclose material information related to the investment, including information about the company's financial condition, biographical information about its management, and the risks of investing. Moreover, Carter failed to disclose that he filed for bankruptcy in 2010. Finally, Respondents misrepresented that they had personally invested money in the company.

The Offering

- 5. Tutt founded Unfiltered to provide customers with an "online, immersive worship experience that celebrates real, un-cut video and audio from our living room to you." The company created an online streaming platform that was available at its website www.unfiltered.org. Through this online presence, Unfiltered would be able to serve the "decentralized church," which included "individuals, home groups, senior citizens, adult care facilities[,] and churches."
- 6. Unfiltered planned to earn revenue from subscription fees. Subscribers would pay a monthly fee and receive exclusive content produced by Unfiltered. The company aimed to make music available to customers in both audio and video formats. Unfiltered hoped to acquire 10,000 subscribers and earn \$1 million in revenue in its first year of operation. The company deemed these goals "very viable."
- 7. Unfiltered claimed it could meet its subscriber and revenue goals because Tutt had "expertise in developing a team of [m]usicians that can with sensitivity create a symphony of worship and a revolution

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following." The company also stated that Carter has "expertise in [c]ompany formation, [s]trategic planning and alliances and the sale of highly profitable enterprises."

- 8. In or around August 2017, Unfiltered issued 100 shares of stock at \$10,000 a share. The company provided 34 shares to Tutt and 16 shares to Carter. Initially, the company made 30 shares available to investors. Unfiltered later released another 4 shares. The remaining shares were reserved for the company's musician pool and Unfiltered consultant partners.
- 9. From 2017 to 2018, 6 investors purchased at least 33 shares of Unfiltered stock. At least 4 of these investors were Washington residents, and they purchased approximately \$300,000 of stock. One stockholder, a California resident, purchased 2 shares for at least \$6,683. An Oregon couple bought a single share for \$10,000.

Investor A

- 10. In 2017, Investor A learned about the Unfiltered stock offering from friends at the church he and his family were attending at the time. Tutt was a worship leader at the same church, which is located in Vancouver, Washington. Investor A's friends told him they already invested in the company.
- 11. In or around July 2017, Investor A and his wife had an in-person meeting with Carter to discuss the stock offering. Carter explained the investment opportunity to them. Prior to investing, Investor A also discussed the Unfiltered investment opportunity with Tutt. Both Carter and Tutt told investor A that they had personally invested money in the company. Carter would later claim that he and Tutt personally invested \$400,000 in Unfiltered. In an email to investors, Tutt likewise represented that he had personally invested in the company.

¹ Records show the investor paid Unfiltered \$6,683 and was awarded two shares of stock. Neither the company nor the Respondents provided an explanation as to why this investor did not pay \$10,000 for each share, as the other investors did.

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On or about October 31, 2017, Investor A purchased 8 shares of Unfiltered stock at \$10,000 a share. Investor A received stock certificates for his shares. Prior to Investor A's purchase, he did not have a preexisting and substantive relationship to Unfiltered.

After the October stock purchase, Investor A met with Carter on several occasions. During these meetings, Carter would suggest that Investor A and his family buy more stock. On or around November 13, 2017, Investor A purchased 2 additional shares of Unfiltered stock for \$10,000 a share. On or around January 6, 2018, Investor A purchased 6 more shares of Unfiltered stock for \$10,000 a share.

In or around March 2018, Carter informed Investor A that he wanted to sell his shares in the company. On or around March 16, 2018, Investor A purchased 4 shares of Unfiltered stock from Carter. To pay for the shares, Investor A provided Carter with a \$40,000 cashier's check payable to Carter, not the company.

On April 14, 2018, Carter sent an email to Unfiltered shareholders informing them that the company would be releasing 4 more shares of stock. He wrote, "We are offering the stock to you first as the initial investors in Unfiltered before we release them to the greater [U]nfiltered family and public." Carter sent the email on behalf of Tutt. In April and May 2018, Investor A purchased these 4 additional shares of Unfiltered stock.

In total, Investor A purchased 24 shares of Unfiltered stock for \$240,000. He and his family invested more money into Unfiltered than all of the other investors combined. Investor A did not receive a return on his investment.

Investor A is not an accredited investor. He is a retired postal worker whose income is mostly derived from a pension and Social Security. He has a moderate amount of investing experience. He has purchased mutual funds and a duplex that produces some rental income.

Misrepresentations and Omissions of Material Fact

STATEMENT OF CHARGES

18. While offering and selling Unfiltered stock, the Respondents failed to provide prospective investors with material information about the company that was necessary to make an informed investment decision. Prior to the sale, the Respondents did not furnish investors with information regarding the company's financial condition or biographical information about its management.

- 19. While offering and selling Unfiltered stock, Respondents failed to disclose the risks of investment.
- 20. While offering and selling Unfiltered stock, Respondents failed to disclose that Carter filed for Chapter 7 Bankruptcy in 2010.
- 21. While offering and selling Unfiltered stock, Tutt and Carter misrepresented that they had personally invested money in the company. Neither Tutt nor Carter paid for their Unfiltered stock.

Failure to Comply with Rule 4(a)(2) and RCW 21.20.320(1)

22. Unfiltered's securities transactions do not quality as exempt from registration under Rule 4(a)(2) and its corresponding Washington exemption, RCW 21.20.320(1). Securities transactions are not exempt under these provisions if they are made as part of a public offering and/or the company fails to disclose to prospective investors the information necessary to make an informed investment decision. Unfiltered's securities transactions were conducted as part of a public offering because the company offered and sold stock to at least one investor with whom the company did not have a preexisting, substantive relationship. Moreover, Unfiltered failed to provide all prospective investors with the information necessary to make an informed investment decision because it did not furnish any documentation regarding the company's financial condition, business, operations, and management.

Registration Status

23. Unfiltered is not, and never has been, registered to sell its securities in the state of Washington.

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24. Tutt and Carter are not, and never have been, registered as securities salespersons or broker-dealers in the State of Washington.

Based upon the above Tentative Findings of Fact, the following Conclusions of Law are made:

CONCLUSIONS OF LAW

- 1. The offer and/or sale of the Unfiltered stock described above constitutes the offer and/or sale of a security as defined in RCW 21.20.005(14) and (17).
- 2. The Respondents violated RCW 21.20.140, the securities registration section of the Securities Act of Washington, by offering and/or selling securities for which no registration is on file with the Securities Administrator.
- 3. The Respondents violated RCW 21.20.040, the salesperson registration section of the Securities Act of Washington, by offering and/or selling said securities while not being registered as a securities salesperson or broker-dealer in the State of Washington.
- 4. The Respondents violated RCW 21.20.010, the anti-fraud section of the Securities Act of Washington, by making untrue statements of material fact or omitting to state material facts necessary to make the statements made, in light of the circumstances in which they were made, not misleading.

NOTICE OF INTENT TO ORDER THE RESPONDENT TO CEASE AND DESIST

Pursuant to RCW 21.20.390(1), and based upon the Tentative Findings of Fact and Conclusions of Law, the Securities Administrator intends to order Respondents Jonathan Tutt and Jonathan Carter, and their agents and employees, to each permanently cease and desist from violating RCW 21.20.010, RCW 21.20.140, and RCW 21.20.040.

NOTICE OF INTENT TO IMPOSE FINES

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Pursuant to RCW 21.20.395, and based upon the Tentative Findings of Fact and Conclusions of Law, the Securities Administrator intends to order that:

- a. Jonathan Tutt shall be liable for and shall pay a fine of \$20,000; and
- b. Jonathan Carter shall be liable for and shall pay a fine of \$20,000.

NOTICE OF INTENT TO CHARGE COSTS

Pursuant to RCW 21.20.390, and based upon the Tentative Findings of Fact and Conclusions of Law, the Securities Administrator intends to order that:

- a. Jonathan Tutt shall be liable for and for and shall pay the costs, fees, and other expenses incurred in the administrative investigation and hearing of this matter, in an amount not less than \$1,200; and
- b. Jonathan Carter shall be liable for and for and shall pay the costs, fees, and other expenses incurred in the administrative investigation and hearing of this matter, in an amount not less than \$1,200.

AUTHORITY AND PROCEDURE

This Statement of Charges is entered pursuant to the provisions of Chapter 21.20 RCW and is subject to the provisions of Chapter 34.05 RCW. Respondents Jonathan Tutt and Jonathan Carter may each make a written request for a hearing as set forth in the Notice of Opportunity for Hearing accompanying this Order. If a respondent does not make a hearing request in the time allowed, the Securities Administrator intends to adopt the above Tentative Findings of Fact and Conclusions of Law as final and to enter a permanent order to cease and desist as to that respondent, to impose any fines sought against that respondent, and to charge any costs sought against that respondent.

SIGNED and ENTERED this 24th day of May, 2024.



Approved by:

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Brian Guerard
Chief of Enforcement

Reviewed by:

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Holly Mack-Kretzler Financial Legal Examiner Supervisor $/_{\rm S}/$

William M. Beatty Securities Administrator

Presented by:

/s/

Brett Werenski Financial Legal Examiner