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Texas State Securities Board

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IN THE MATTER OF CHELSEA
MANAGEMENT GROUP, INC., PETER
JOHANSEN, AND RAY THOMAS

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§
§

ORDER NO. ENF-06-CDO-1611

TO: Chelsea Management Group, Inc.
2727 West 92nd Ave., Suite 200B
Denver, CO 80250

Ray Thomas
2727 West 92nd Ave., Suite 200B
Denver, CO 80250

Peter Johansen
2727 West 92nd Ave., Suite 200B
Denver, CO 80250

EMERGENCY CEASE AND DESIST ORDER

This is your OFFICIAL NOTICE of the issuance by the Securities Commissioner of the State of Texas ("Securities Commissioner") of an EMERGENCY CEASE AND DESIST ORDER pursuant to Section 23-2 of The Securities Act, TEX. REV. CIV. STAT. ANN. art. 581-1 et sea. (Vernon 1964 & Supp. 2805) ("Texas Securities Act").

The Staff of the Enforcement Division of the Texas State Securities Board has presented evidence sufficient for the Securities Commissioner to find that:

FINDINGS OF FACT

1. Respondent Chelsea Management Group, Inc. ("Respondent Chelsea") maintains a last known address at 2727 West 92nd Ave., Suite 200B, Denver, Colorado 80250. Respondent Chelsea's officers and directors are Peter Johansen, John Alden, Gary Kelley, and Joseph Caldwell.
2. Respondent Peter Johansen maintains a last known address at 2727 West 92nd Ave., Suite 200B, Denver, Colorado 80250.

3. Respondent Ray Thomas maintains a last known address at 2727 West 92nd Ave., Suite 200B, Denver, Colorado 80250.
4. Respondents are offering for sale in Texas shares of common stock in Respondent Chelsea. Subscription agreements for the shares of common stock are available through the website www.chelseamanagementgroup.com. Subscription agreements for subordinated convertible debentures are also available through the website. Respondent Chelsea's most recent financial statements, available via links from the website, represent that the company had no income for the year ended December 31, 2004, and no assets as of that date.
5. The shares of common stock have not been registered by qualification, notification or coordination and no permit has been granted for their sale in Texas.
6. Respondents have not been registered with the Securities Commissioner as dealers or agents at any time material hereto.
7. In connection with the offer for sale of the above-described shares of common stock, Respondents are intentionally failing to disclose the following material facts:
 - a. The general and specific risks associated with an investment in the shares of common stock; and
 - b. The manner in which the proceeds of the offering will be used.
8. In connection with the offer for sale of the above-described shares of common stock, Respondents represent that an investor's failure to conduct due diligence may be raised as a defense in any action alleging misstatements or omissions of material facts. This representation is materially misleading or otherwise likely to deceive the public in light of the fact that the Texas Securities Act imposes a duty on sellers of securities to disclose all material facts.

CONCLUSIONS OF LAW

1. The above-described shares of common stock are "securities" as that term is defined by Section 4.A of the Texas Securities Act.
2. Respondents are violating Section 7 of the Texas Securities Act by offering securities for sale in Texas at a time when the securities are not registered with the Securities Commissioner.
3. Respondents are violating Section 12 of the Texas Securities Act by offering securities for sale in Texas without being registered pursuant to the provisions of Section 12 of the Texas Securities Act.

4. Respondents are engaging in fraud in connection with the offer for sale of securities.
5. Respondents have made an offer containing a statement that is materially misleading or otherwise likely to deceive the public.
6. Respondents' conduct, acts, and practices threaten immediate and irreparable public harm.
7. The foregoing violations constitute bases for the issuance of an Emergency Cease and Desist Order pursuant to Section 23-2 of the Texas Securities Act.

ORDER

1. It is therefore ORDERED that Respondents immediately CEASE AND DESIST from offering for sale any security in Texas until the security is registered with the Securities Commissioner or is offered for sale pursuant to an exemption from registration under the Texas Securities Act.
2. It is further ORDERED that Respondents immediately CEASE AND DESIST from acting as securities dealers or agents in Texas until respondents are registered with the Securities Commissioner or are acting pursuant to an exemption from registration under the Texas Securities Act.
3. It is further ORDERED that Respondents immediately CEASE AND DESIST from engaging in any fraud in connection with the offer for sale of any security in Texas.
4. It is further ORDERED that Respondents immediately CEASE AND DESIST from offering securities in Texas through an offer containing a statement that is materially misleading or otherwise likely to deceive the public.

NOTICE

Pursuant to Section 23-2 of the Texas Securities Act, you may request a hearing before the 31st day after the date you were served with this Order. The request for a hearing must be in writing, directed to the Securities Commissioner, and state the grounds for the request to set aside or modify the Order. Failure to request a hearing will result in the Order becoming final and non-appealable.

You are advised under Section 29.D of the Texas Securities Act that any knowing violation of an order issued by the Securities Commissioner under the authority of Section 23-2 of the Texas Securities Act is a criminal offense punishable by a fine of not more than

\$5,000, or imprisonment in the penitentiary for not more than two years, or by both such fine and imprisonment.

SIGNED AND ENTERED by the Securities Commissioner this 29TH day of MARCH, 2006

A handwritten signature in black ink, appearing to read "Don A. Raschke". The signature is fluid and cursive, with a long horizontal stroke at the end.

Don A. Raschke
Deputy Securities Commissioner