COLORADO
Department of
Regulatory Agencies
Division of Securities

Minutes of the Colorado Securities Advisory Board Meeting
Tuesday, June 10, 2025

The meeting was held in person at 1560 Broadway, Conference Room 100D, Denver, CO 80202. The meeting was also online. The meeting was called to order at 11:00 a.m. by Chairperson Elizabeth Karpinski Vonne with a quorum present. Additional Board members in attendance were Philip McDermott and Gary DeWaal, and by Google Meet, Nicolas Budor. Division of Securities staff members present in person included Securities Commissioner Tung Chan, Deputy Securities Commissioner Jeffrey Eaby, Chief Examiner Jason Gross, Chief Investigator Jonathan Block, Investor Education and Public Outreach Coordinator Annelise Grygiel and Program Assistant Shiela Gowan, and by Google Meet Director at Colorado Office of Policy, Research and Regulatory Reform (COPRRR) Brian Tobias. Future board member Andrea Genschaw also joined the meeting in person.

1. Chairperson Elizabeth Karpinski Vonne asked for a motion to approve the minutes of the March 5, 2025, meeting. Gary DeWaal moved to approve the minutes and Philip McDermott seconded the motion. The Board members who were present unanimously approved the March 5, 2025, meeting minutes.

2. Chairperson Elizabeth Karpinski Vonne invited the Securities Commissioner to present her report on Division activities. The Commissioner provided her report:

    - Commissioner Chan thanked Nilsa Mahon for her service on the Board and recognized her dedication, good humor and integrity. The Division will acknowledge her at our September meeting.

    - Commissioner Chan introduced our newest member of the Securities Advisory Board, Andrea Genschaw from Louisville, who was appointed to the CPA Board position. Ms. Genschaw gave a brief introduction of her background and the Division and Board welcomed her.

- Commissioner Chan stated that in April, she was invited to the White House along with the leading crypto Colorado organizations to meet with Bo Hines, the Executive Director of the President's Council of Advisers on Digital Assets. The meeting was to discuss Colorado's role in cryptocurrency policy and offer assistance and advice. At the same time, while in DC, Commissioner Chan attended the NASAA annual spring meeting and met with crypto industry representatives and other regulators.

- Commissioner Chan stated she was a speaker on an ETHDenver panel this spring. ETHDenver had about 20,000 total attendees this year.

- The Commissioner then introduced public information officer Annelise Grygiel to discuss innovative outreach efforts. Ms. Grygiel showed the new social media tiny mic videos and explained that the Division is seeing a lot of scams on social media and wants to offer counter programming. Ms. Grygiel spoke about the Division's traditional outreach presentations.

- The Division has had an active quarter in the enforcement side. Regarding the INDX matter, the judge issued an Order of Summary judgement in April, holding that the crypto scheme was a security and it is the first holding in Colorado state law to use Howey in a crypto scheme; it is precedential and a matter of first impression. The remaining question is whether the defendants committed securities fraud and that matter was heard at trial in May.

The Commissioner then introduced Chief Examiner Jason Gross to provide an update on the examinations section. His report included the following:

- The Division published its quarterly newsletter to investment advisers and it is posted on the website.

- In May, NASAA Investment Adviser training was in Pittsburgh which two of the divisions newest examiners attended. Deputy Commissioner Jeffrey Eaby was also invited to speak at the NASAA event along with Chief Examiner Jason Gross. Mr. Gross particularly enjoyed a session about how A.I. Artificial Intelligence may evolve. One thing Chief Examiner Gross took away from training was learning how to ask A.I. the right way.

- The Division should have its first online Investment Adviser Representative CE education up online soon.

- The Division's fiscal year is coming to a close at the end of June. The Division has a goal of 110 examinations each year and has already met the goal. The Division has a sub goal of doing 30 compliance exams a year. Compliance exam is where the examiners try to exam newly licensed firms within their first two years.

The Commissioner then introduced Chief Investigator Jonathan Block to provide an update on the investigations section. His report included the following:

- May 29th, a Denver Grand Jury returned an indictment on an individual named Mack Jamie Sprouse, a Colorado house flipper, on 11 counts of securities fraud. The indictment alleged Mr. Sprouse solicited approximately $4.8 million from at least 80 investors. Mr. Sprouse raised investor funds through the issuance of promissory notes with a promise to repay the principal of the note and high interest payments. The indictment specifically alleged that Mr. Sprouse made untrue statements of material fact and failed to disclose material facts to investors and engaged in business practices that operated as fraud and deceit upon investors. Mr. Sprouse allegedly misrepresented how he would use investor funds and his use and reliance on other sources of funding for Urban Veneer, his company. The indictment alleged that Mr. Sprouse falsely led investors to believe their investments would be secured by either Urban Veneer or collateralized by specific real estate assets. However, the investments were not secured and Mr. Sprouse lacked sufficient funds to repay investors. Mr. Sprouse is not registered to offer or sell securities in Colorado. The Colorado Division of Securities investigated this matter, and the Colorado Attorney General's Criminal Justice/Financial Fraud Unit is prosecuting the case.

- Criminal case referred to El Paso County. An individual by the name of Michael Caudill solicited an investor who happened to be a veteran to invest in the Old Red Barn. The Division referred the matter to El Paso District County and on April 23rd, the matter was charged by the District Attorney's Office.

- The Division investigated Michael Lemay and referred the matter to the Jeffco DA who filed charges against him. Mr. Lemay was charged with 2 counts of securities fraud and 2 counts of theft. Mr. Lemay ultimately pleaded guilty to one count of Felony Theft. In exchange for his plea, the Jeffco DA dismissed the remaining counts. On June 09, 2025, Lemay was sentenced to pay $12,420.00 in restitution and to six years in the Department of Corrections which was suspended.

- Colorado joined a multi-state settlement against Vanguard Marketing Corporation (VMC) and the Vanguard Group, Inc. (Vanguard) for failing to supervise certain registered persons and failing to disclose potential tax consequences to investors following a change in investment minimums for certain target date retirement funds. The settlement stems from a three-year multi-state task force investigation coordinated through NASAA. Vanguard has agreed to repay $106 million. The SEC is going to notify investors that were impacted by this action and will administer the remediation payments, through its Fair Fund program, to compensate investors for the capital gains taxes.

- One administrative matter that the Division entered into last month involved Flock Homes. Flock Homes solicit homeowners who have a second home to basically sell that second home to Flock homes. In exchange they get membership interests in this fund and Flock Homes manages that property over time with an expectation that at some point they'll sell all the profits. Upon discussion with the Division, Flock Homes revised their policies, procedures, and their structures. They no longer offer any transaction-based compensation and they have given agents substantive duties aside from just soliciting potential investment.

- Civil trial coming up on June 20th. One day trial against an individual by the name of Arlus Daniel who was an individual that the division investigated many years ago. As a result of our investigation, he ended up on parole with the Department of Corrections. He posted on Craigslist ads soliciting to raise money.

- The Division has another matter who we've spoken about in the past named Raymond Kim. Very similar circumstances based on our investigation, Kim was charged with fraud in January 2020. Two months later courts shut down due to Covid. Raymond Kim solicited again.

3. The Commissioner then introduced Brian Tobias from COPRRR who was virtually attending the Board meeting. He provided an overview of Sunset reviews. The Division has been compiling information regarding the program and providing it to Mr. Tobias.
   Mr. Tobias said he was also interviewing stakeholders including Board members, attorneys, industry and the public, and our attorneys. Brian Tobias invited Board members to contact him if they would like to speak with him in the

Sunset review process. Brian Tobias will offer a report containing findings and recommendations in October for the General Assembly and House of Representatives.

4. Other Business: No other business.

5. Schedule date and time for the next meeting: The next meeting was scheduled to be Thursday, September 11, 2025, at 11:00 a.m. to 12:00 p.m. Executive Session New Board and Continuing Board Member Training to be held from 12:00 p.m. to 1:00 p.m. The meetings will be in person at 1560 Broadway, Suite 100D at the DORA Welcome Center conference room.

The Chair asked for a motion to adjourn which was made and seconded. The meeting was adjourned at 12:04 p.m.

Elizabeth Vonne
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Chair

10/2/2025
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Date