



COLORADO

Department of
Regulatory Agencies

Division of Securities

Tung Chan, Securities Commissioner

Minutes of the Colorado Securities Advisory Board Meeting Tuesday, March 26, 2024

The meeting was held in person at 1560 Broadway, Conference Room 100B. The meeting was called to order at 10:00 a.m. by Chairperson Elizabeth Karpinski Vonne with a quorum present. Keith Olivia was in person. Additional Board members in attendance by phone were Chair Elizabeth Karpinski Vonne, Vice Chair Gary DeWaal, Nilsa Mahon and Nic Budor. Division of Securities staff members in person were Securities Commissioner Tung Chan, Chief Investigator Jon Block, Chief Examiner Jason Gross, Investor Education and Public Outreach Coordinator Annelise Grygiel and Program Assistant Shiela Gowan. First Assistant Attorney General Robert Finke also attended in person.

1. Approval of Previous Meeting Minutes

- Chair Elizabeth Vonne asked for a motion to approve the minutes from the December 11, 2023, meeting. Keith Olivia moved to approve the minutes and Nilsa Mahon seconded the motion. Board members unanimously approved the December 11, 2023, meeting minutes.

2. Report on Division activities

The Commissioner provided her report:

- Commissioner Chan started with thanking Chair Elizabeth Karpinski Vonne and Vice Chair Gary DeWaal for testifying in their respective confirmation hearings before the Senate Business, Labor and Technology Committee on February 20, 2024, and for their continued service. The Committee unanimously voted for the confirmation and reappointment of Elizabeth Karpinski Vonne and Gary DeWaal. One of the senators acknowledged that our appointees were exceptionally qualified.
- New Division Chief Examiner Jason Gross was introduced to the Board. He has been with the Division for six years, where he started as an examiner and then switched to the investigator side for approximately the last one and a half years. He became the Chief Examiner as of March 1. Commissioner Chan passed the floor to Chief Examiner Jason Gross to offer the Board more on his background.

- Commissioner Chan presented on February 21, 2024, at the North American Securities Administrators Association's (NASAA) Investor Education training. The presentation was focused on the New Investor campaign that was developed with the help of students at the University of Colorado Boulder. Chan received a very good response and hopes that other attendees will consider doing their own campaign.
- Commissioner Chan was invited to speak at the EthDenver 2024 where they hosted 30,000 attendees at the National Western Stock show complex. On February 29 Commissioner Chan spoke on the panel, Is Common-Sense Crypto Policy within Reach? with Kara Calvert, Head of U.S. Policy Coinbase; Senator Chris Hansen; and Katrina Pagila, Chief Legal Officer Pantera Capital. Annelise Grygiel assisted with a number of interviews with media including a follow-up 30 minute interview with CoinDesk, which is on YouTube now, and a 30 minute interview with Coinage.

Cases:

- This quarter the Division filed a complaint against INDXcoin that went viral. The Division filed a temporary restraining order and asset freeze against an online pastor and his wife in the INDXcoin case, which the Division alleged was a worthless cryptocurrency scheme. After filing the case, Pastor Eli Regalado proceeded to record a video where he confessed and said, "The Lord made him do it."
- On January 29, there was a hearing essentially on the merits and the Division prevailed. The case was led by Assistant Attorney General Sarah Donahue and overseen by First Attorney General Robert Finke and assisted by Paralegal Erin Shine. The Division would like to thank the team. The judge commended them publicly for a terrific job. Mr. Regalado missed the hearing because he was in Zambia pitching finances to another online church.
- This case went viral and included front page coverage by CNN, BBC, Univision, New York Times, Wall Street Journal, Denver Post, CBS, NBC, The Daily Beast, Washington Post and widespread TikTok coverage. The Division amended the INDX complaint in February to include his father, his brother-in-law and his brother. The case continues.
- This is the first securities case in crypto enforcement that has been brought here in Colorado and will start to build legal precedents.
- The Division filed a complaint against Joseph Holder, discussed by Jon below. This matter was also picked up by several media outlets including Denver Post and CBS.

- The Division filed a response to a motion to dismiss in the Lifestyle case, which we have brought up before. It is a timeshare-like property investment case spanning multiple states. This case is also being picked up by the Cape Cod media.
- Investment Adviser Representative Continuing Education (IAR CE) Webinars: The Division currently is holding three webinars to help industry comply with new rules regarding continuing education requirements for investment adviser representatives. The webinars are live and interactive. The first one was held on February 7, and we had over 150 attendees. The webinar is posted on our website with the slide show. The next two webinars are April 3 and June 5 at 1:00 p.m. Denver time.
- Vacancies: The Division currently is hiring for an auditor, two examiners and one investigator and these positions are posted on our website.
- Legislation Impacting Our Work: Senate Bill 24-180 is aimed at repealing the Digital Asset Utility Act. House Bill 24-1168 affects the way a public board runs. It is a bill that has additional requirements that will modify boards and committees to make sure there is access for those with disabilities. Senate Bill 24-129 is aimed at restricting the disclosure of members of non-profits. The Division is working to ensure that the bill works with our enforcement and our examination work.

Chief Examiner Jason Gross provided an update on the examination section:

- The Division published the 2024 exam priorities in January which identifies the areas that the exam section will focus on for the year. The priorities included suitability. If an investment adviser representative recommends a risky investment trading strategy, they need to have well documented information that supports that recommendation.
- The priorities also included new rule updates: Rule 51-4.7(C) which incorporates the Securities and Exchange Commission's (SEC) Regulation Best Interest (Reg BI), new investment adviser representative continuing education requirements as previously mentioned by the Commissioner and other books and records rule updates such as the need for investment adviser representatives to maintain a file of not just written complaints, but also a summary of oral complaints.
- Investment adviser applications: The Division currently has 36 new applications. Withdrawals seem to be about the same as last year. Commissioner Chan added that the licensing numbers are lower than last year's.

Chief Investigator Jonathan Block provided an update on the investigations section:

- Kent Edlin from Pueblo was indicted in May 2023 on eight counts of securities fraud. The indictment alleged that he solicited and received investment money from at least 11 individuals, that were mostly seniors, to invest in his company RVM. The investment money he received was never invested in any financial product. The funds were funneled into his personal bank accounts and used for his personal use and to repay other investors.
- In December, Mr. Edlin pleaded guilty to a lower felony account of selling unregistered securities. He was sentenced to two years' probation. Mr. Edlin was required to take a Moral Recognition Therapy course, which is a type of cognitive behavioral treatment program that leads to enhanced moral reasoning and improves conscious decision making and more appropriate behavior. MRT is said to reduce recidivism rates for those juvenile and adult criminal offenders by increasing moral reasoning and resetting the moral compass. He did repay investors before he pled.
- Isaac Bruton was associated with a company called Clarity Concepts. Back in 2007 or 2008, he placed posts on Craigslist trying to seek investors. The Division entered a cease and desist order in 2010 with Mr. Bruton to cease offering and selling securities. But in 2012 he was found liable for securities fraud in a civil matter in Denver District Court, but he continued, and then was prosecuted criminally. While he was out on parole, Mr. Bruton continued to try to raise money and solicited \$40,000 from three investors.
- In July of 2021 he was charged with seven counts of securities fraud and one count of theft. In January of 2024, almost three years later, he pled guilty to securities fraud. As part of the plea deal, he agreed to serve eight years in the Department of Corrections followed by two years of probation.
- Lucas Ingraham and Credits LLC were raising money through the offering of investments. They raised \$95,000 from 400 investors. The Division alleged a significant portion of the investor funds were used for non-related business purposes and that the offering included material misstatements and omitted material information. In March of 2023, defendants were charged with three counts of securities fraud.
- On January 24, Mr. Ingraham pled guilty to selling unregistered securities. The other fraud counts were dropped as part of the plea. He agreed to be sentenced by the Department of Corrections for a definite term of between one year and 18 months, a fine of between \$1000 to \$100,000, and restitution in the amount of \$95,710. The sentencing hearing is scheduled for April 8.

- Joseph Holder is an individual who we allege met women through dating apps and through gyms. Allegedly, he raised \$120,000 and never forwarded any of the money to be invested. The Division filed a complaint against Mr. Holder.


3. Other Business

- None

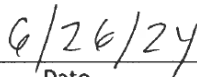
4. Schedule date and time for next meeting

- The next meeting was scheduled to be Wednesday, June 26, 2024, at 10:00 a.m. to 11:00 a.m. The meeting will be in person at 1560 Broadway, Suite 100D at the Department of Regulatory Agencies (DORA) Welcome Center conference room.

The meeting was adjourned at 11:07 a.m.



Chair



Date