



**COLORADO**

**Department of  
Regulatory Agencies**

Division of Securities

Tung Chan, Securities Commissioner

## **Minutes of the Colorado Securities Advisory Board Meeting Wednesday, June 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. Chair Elizabeth Karpinski Vonne and Board member Keith Olivia attended in person. Additional Board members in attendance by phone were Vice Chair Gary DeWaal, Nilsa Mahon and Nic Budor. Division of Securities staff members included Securities Commissioner Tung Chan who attended by phone and Deputy Commissioner Jeff Eaby, Chief Examiner Jason Gross, Examiner Glenn Lisle and Program Assistant Shiela Gowan who attended in person. First Assistant Attorney General Sarah Donahue also attended in person.

### **1. Approval of Previous Board Meeting Minutes**

- Chair Elizabeth Karpinski Vonne asked for a motion to approve the minutes from the March 26, 2024, meeting. Keith Olivia moved to approve the minutes and Nilsa Mahon seconded the motion. Board members unanimously approved the March 26, 2024, meeting minutes.

### **2. Report on Division Activities**

The Commissioner provided her report:

- Commissioner Chan stated that Division cases are being picked up by the media more frequently. On some Division enforcement cases, the Division did not put out a press release and the case was still picked up by the media. In one case, Syntax, the Division settled with a Cease-and-Desist Order that prohibited the issuer from selling securities in Colorado for three years. This case was picked up because the issuer used social media and YouTube. Jeff will provide more information on the case.

- In another series of cases, Dunbar and Fluxia, involved two investment advisers that alleged to have offices in the Colorado Department of Regulatory Agencies (DORA) building, and of course they did not. The Division entered a Cease-and-Desist Order against each of them, and this was picked up by the media. The firms were using fake names and stock pictures and both cases were intended to stop future investor harm.
- The Commissioner then thanked Keith Olivia for his service to the board before passing the meeting on to Deputy Commissioner Jeff Eaby.

### 3. Update on Enforcement Section

Deputy Commissioner Jeff Eaby filling in for Chief Investigator Jonathan Block provided an update on the Enforcement Section.

Cases:

- **Syntax and Conner Robertson settlement:** In May, the Division entered a stipulation and consent order. The individual was representing that they ran an Airbnb hedge fund on social media. Then in February a member of the staff went undercover and reached out to Mr. Robertson and discovered that he was making some misrepresentations that were inconsistent with his company's bank statements, generally over emphasizing the size and the success of its company. For example, he represented that he owned 1,002 rental properties, was making 4,000 payments a month to investors, and that he owned properties worth over \$78 million, had 32 employees working for him and his monthly income was \$330,000.

Through the investigative work, the Division quickly determined that this was inaccurate. The Division entered a stipulation that included Mr. Robertson agreeing to not offer securities in Colorado for a period of three years. In this case, Deputy Commissioner Eaby believed that the social media aspect led to it being picked up by the media.

- **Two additional cases both concerned fraudulent websites, Joyce Dunbar and Fluxia Capital:** The websites alleged that their location was in the Division's building, but it was obvious that when investigators walked down a couple of floors that there were not two investment advisers operating at that location.

The staff issued a petition to the Commissioner requesting an order to show cause to be issued to the firms and hearings were held in March at the Office of Administrative Courts. The Division received a favorable initial decision and subsequently, the Commissioner entered Cease-and-Desist Orders against the companies from engaging in unlicensed investment adviser activities as well as investment adviser fraud.

- **Criminal matter, Daniel Levine:** In 2019, through the work of the Division, there was an order entered against Mr. Daniel Levine of Castle Rock for recommending Bitcoin investments to his clients at Morgan Stanley. Afterwards in 2021, the Division opened another investigation of Mr. Levine alleging that he had raised significant additional funds in violation of that first order by selling at least three private placements, overall raising more than \$1 million from several elderly investors.

An indictment alleged that Levine made material misrepresentations and omissions when soliciting multiple investors to invest. The investigation showed that the funds were used to make payments to Levine's spouse and to earlier investors. In April 2023, Mr. Levine was indicted on eight counts of securities fraud and 11 counts of forgery of checks or commercial instruments. On March 1, 2024, Mr. Levine pled guilty to one count of securities fraud and in May 2024 Daniel Levine was sentenced to six years in prison with three years of parole and must pay \$985,000 in restitution.

- **Criminal matter, Luke Ingraham and Credits, LLC:** Ingraham raised approximately \$100,000 in a cryptocurrency offering called the credit token. He pled guilty and was sentenced to economic probation recently. The case was pled down to an unregistered security offering claim, and he was ordered to pay that \$100,000 in restitution.
- **Civil complaint filed in Denver District Court, Bombay:** The Attorney Generals (AGs) filed a fraud complaint against Bombay which operates a local Indian restaurant. The Division alleged that Bombay was soliciting investors to invest in Indian restaurant franchises and that they raised approximately \$380,000. The complaint alleged that the investors were told misrepresentations about the expansion plans of the company, as well as their likelihood of success and also potentially, the existence of a franchise. This is early in civil litigation.

- **Related matter to Bombay, Bisonnette:** AGs filed a fraud complaint against Bisonnette for misrepresenting and omitting material information while soliciting investors for Bombay.
- **Settlement and consent order that came out of an examination of James McGehee and McGehee Wealth Management:** Respondents placed their clients in a highly risky options strategy, largely involving selling calls. McGehee entered approximately 11,000 trades for his clients over a two-year period. When you sell a call, you pay a premium, in order to have the right to buy that stock at a later date. McGehee sold the calls but rarely exercised the calls even when the stocks had risen significantly.

McGehee did not enter advisory contracts with his clients, failed to provide clients the ADV Part 2, otherwise known as the firm brochure, which is generally the place where the adviser discloses their strategy as well as any unusual risk associated with that strategy. The stipulation alleged that this strategy was in fact unsuitable for several investors. One retiree investor lost almost his whole life savings, having invested \$300,000 with McGehee whose strategy caused a loss of over \$280,000. As part of the stipulation, the firm and James McGehee admitted to engaging in securities fraud. Mr. McGehee and his firm's licenses were revoked, and they are permanently barred from offering investment advice to or from Colorado.

#### 4. Update on Examination Section

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

- Introduced newest Examiner to join the Division, Glenn Lisle. Examiner Glenn Lisle gave a brief background to the board.
- Chief Examiner Jason Gross said the Division had a second examiner starting on July 8. So would have another examiner to introduce for the next board meeting.
- Investment Adviser Representative Continuing Education (IAR CE) Webinars: Earlier this year the Division adopted Investment Adviser Representative Continuing Education. The Division provided three livestream webinars to help industry comply with new rules around continuing education requirements for investment adviser representatives.

- Fiscal Year is ending as of June 30. The Division has closed about 100 Field Exams and received 97 Investment adviser firm applications, of which 81 have been approved. Withdrawals seem to be about the same as last year. There have been 45,500 individual representative applications.
- Vacancies: The Division currently is hiring for two auditors, one examiner, and two investigators and these positions are posted on our website.

## 5. Other Business

- Deputy Commissioner Jeff Eaby presented Keith Olivia with a plaque thanking him for years of service to the Board.

## 6. Schedule Date and Time for Next Meeting

- The next meeting was scheduled to be Wednesday, September 25, 2024, at 9:00 a.m. to 10:00 a.m. with an executive session for training to be held from 10:00 am to 11:00 am. The meeting will be in person at 1560 Broadway, Suite 100D at the DORA Welcome Center conference room.

The meeting was adjourned at 11:00 a.m.

  
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Chair

  
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Date