

DISTRICT COURT, DENVER COUNTY, COLORADO 1437 Bannock Street Denver, CO 80202 GERALD ROME, Securities Commissioner for the State of Colorado, Plaintiff, v. HEATH BOWEN, PETER KLAASS, and ALLEGIS INVESTMENT ADVISORS, LLC Defendants.	DATE FILED: May 1, 2017 4:07 PM FILING ID: B1D5513BE9971 CASE NUMBER: 2017CV31584 ▲ COURT USE ONLY ▲
CYNTHIA H. COFFMAN, Attorney General ROBERT W. FINKE, 40756* First Assistant Attorney General MATTHEW J. BOUILLON MASCAREÑAS, 46684* Assistant Attorney General Ralph L. Carr Judicial Building 1300 Broadway, 8th Floor Denver, CO 80203 Tel: (720) 508-6401 Fax: (720) 508-6037 Robert.Finke@coag.gov Matthew.Bouillon@coag.gov *Counsel of Record	Case No.: Courtroom:
COMPLAINT FOR INJUNCTIVE AND OTHER RELIEF	

Plaintiff Gerald Rome, Securities Commissioner for the State of Colorado, by and through his counsel, the Colorado Attorney General and undersigned counsel, alleges as follows in his Complaint for Injunctive and Other Relief against the Defendants:

JURISDICTION

1. Plaintiff Gerald Rome is the Securities Commissioner for the State of Colorado. The Commissioner is authorized to bring this action in which he may seek temporary, preliminary, and permanent injunctive relief, along with other equitable relief, against the Defendants upon sufficient evidence that the Defendants have engaged in or are about to engage in any act or practice constituting a violation of

any provision of the Colorado Securities Act (the "Act"). § 11-51-602, C.R.S. Section 706(4) of the Act expressly provides that any violation of the Act is deemed to constitute the transaction of business within this state, thereby conferring jurisdiction pursuant to § 13-1-124(a), C.R.S.

2. Venue is proper in the district court for the City and County of Denver, Colorado. § 11-51-602(1), C.R.S.

SUMMARY OF THE ACTION

3. Colorado investors, signing over management of their retirement assets to Allegis Investment Advisors, LLC ("Allegis"), were fraudulently persuaded through the use of intentional misstatements of facts, half-truths, and incomplete information to accept Defendants' recommendations to subject their retirement fund to catastrophic losses. Replacing the rule of *caveat emptor*, the Colorado Securities Act requires that Allegis provide full disclosure of material facts to investors and, as a fiduciary, to act only in their best interest. Allegis violated these standards by fraudulently promoting a highly risky and complex net credit spread options strategy that frequently subjected these investors' retirement funds to losses of 40-100% of the value of their account on every trade in order to obtain higher investment management fees from clients. This net credit spread option strategy was developed, offered, and marketed through Allegis's management, President Heath Bowen and Vice President Peter Klaass, and then fraudulently sold to Colorado clients through Klaass and Bowen.

4. From 2011 to 2015, the Defendants marketed and sold the strategy to Allegis clients in Colorado as a way to safely earn income on their clients' investments. But Defendants failed to disclose to their clients that while the strategy allowed the clients to collect a small premium or profit up front, most of the trades placed risked losing between 40-100% of the client's total account value, all with an average potential upside of less than 1%. Unbeknownst to the clients, a small market move could occasion catastrophic losses. Many of these Colorado clients were seniors, in their seventies and eighties, who relied on income from their funds to pay living expenses. In August of 2015, in one day's trading, these clients suffered the consequences of Defendants' fraudulent activity when they incurred over \$500,000 in losses, which represented account declines ranging from between 7.72% to 54%.

5. In manipulating their clients to purchase highly risky investments without adequate disclosures, the Defendants have violated the antifraud provisions of the Colorado Securities Act. The Commissioner seeks a permanent injunction against the Defendants, enjoining them from engaging in the transactions, acts, practices, and courses of business alleged in this Complaint, and other such relief as the Court may deem appropriate.

DEFENDANTS

6. Allegis Investment Advisors, LLC is an Idaho-based limited liability corporation with its principal place of business at 591 Park Avenue, Suite 101, Idaho Falls, ID 83402. Allegis is an SEC-registered investment adviser as of October 16, 2013 with a notice filing in Colorado effective October 16, 2013 advising the Commissioner that Allegis was conducting business in this state.

7. Heath Bowen ("H. Bowen") is an adult male, 36 years of age, who resides in the State of Idaho with a last known address of 534 Kinswood St., Idaho Falls, ID 83404. At all times relevant to this complaint, Bowen acted as the President of Allegis with primary responsibility for overall firm compliance, training Allegis investment adviser representatives ("IAR") on the strategy, and explaining the strategy to clients.

8. Peter Klaass ("Klaass") (together with Allegis and H. Bowen, "Defendants") is an adult male, 50 years of age, who resides in the State of Nevada with a last known address of 2542 Triana Cir., Henderson, NV 89074. At all times relevant to this Complaint, Klaass served in various capacities at Allegis, including as a minority shareholder/member, as Vice President, and as Chief Compliance Officer and was responsible for reviewing client suitability and placing trades in accordance with the strategy.

NON-PARTIES

Allegis Investment Adviser Representatives

9. Christopher Hedquist ("Hedquist") is an adult male, 49 years of age, who resides in the State of Utah with a last known address of 24 W. 950 South, Kaysville, UT 84037. At all times relevant to this Complaint, Hedquist was employed by Allegis and acted as Vice President of Advisory Services.

10. Trevor Bowen ("T. Bowen") is an adult male, 33 years of age, who resides in the State of Idaho with a last known address of 6401 Tabitha Tr., Ammon, ID 83406. At all times relevant to this Complaint, T. Bowen was employed by Allegis and acted as an IAR to client K. A. T. Bowen is the brother of Defendant H. Bowen.

11. Tyson Wakley ("Wakley") is an adult male, 34 years of age, who resides in the State of Utah with a last known address of 626 E. 110 South, American Fork, UT 84003. At all times relevant to this Complaint, Wakley was employed by Allegis and acted as an IAR to M. and L. R.

GENERAL ALLEGATIONS

A. Defendants Had a Fiduciary Duty to Disclose All Material Facts and Not Mislead Clients

12. As investment advisers to the Colorado investors, Defendants were fiduciaries and owed the clients an affirmative duty to act with the utmost good faith to act solely in the best interests of the clients, and to make full and fair disclosure of all material facts, particularly where the adviser's interests may conflict with the clients.

13. Especially with older clients, the fiduciary duty to act in their best interest, to make full and fair disclosure of all material facts and to avoid misleading clients is particularly important due to the fact that clients may be relatively unsophisticated in investment matters, may be subject to diminishing mental capacity affecting their judgment to act prudently, and may rely exclusively on their investment adviser's advice and representations in this area. Further, the adviser's failure to adequately disclose risk, specifically that the recommended strategy could result in a dramatic reduction of the size of an older client's retirement fund, leaving the older clients without sufficient time to make up losses through market appreciation.

14. In several critical respects as set forth below, Defendants abrogated their fiduciary duties by failing to exercise the utmost care to avoid misleading their clients and failing to make full and fair disclosure of all material facts surrounding the investment transactions involved here.

B. Defendants Placed Their Advisory Clients in a Highly Risky and Complex Options Trade that Their Clients Did Not Understand

15. The Defendants employed an approach to generating income for a group of clients, including Colorado clients, known as a "net credit spread."

16. Beginning in or about the year 2011 and continuing until 2015, Defendants recommended a net credit option strategy (the "Strategy") to their clients as a way to generate income. The investment managers responsible for directing and executing the Strategy were H. Bowen and Klaass.

17. From January 2012 through August 2015, Defendants placed more than 250 net credit spread trades for their Colorado clients, averaging at least one per month.

18. Options contracts and the equities that underlie them are securities in Colorado as set forth in the Act. § 11-51-201(17), C.R.S.

19. A net credit spread involves the purchase of one options contract and the sale of another options contract of the same type (put or call) with the same expiration date but with a different strike price. A call option provides a purchaser of the call option the right to purchase 100 shares of a specific security at a set price (the strike price) by a set date (the expiration date). A put option provides the purchaser of a put option the right to sell 100 shares of the underlying security at a set price by a set date. The seller or “writer” of a call option is obligated to sell the underlying security at the strike price if the security rises above the strike price and the seller of a put option is obligated to buy the underlying security if the price of the security falls below the strike price.

20. Investors who, at the same time, purchase an options contract and sell another options contract of the same type, receive a net credit for entering the position, *i.e.*, the difference between the amount of the proceeds collected from the sale of an option less the cost or premium paid for the purchase of an option.

21. Defendants represented to clients that the premium, or net credit, received from each trade was income that flowed into their account, with a goal of earning an annual 10-12% return.

22. In order to achieve the oft-touted overall annual returns of 10-12%, the Defendants placed net credit spread trades in client accounts generally once per month expecting that each net credit spread trade would generate a return of approximately 1%.

23. In this case, Defendants executed net credit spreads using Russell 2000 Small Cap Equity Index (CBOE Symbol: RUT) call or put options.

24. On August 20, 2015, Defendants executed a net credit spread for client accounts. The following trade was placed in one client’s account¹ on August 20, 2015:

- a. Sold 85 RUT put options with a strike price of \$1,155 and an expiration date of August 21, 2015 at \$0.5272 per share, for proceeds of \$4,435.89.
- b. Purchased 85 RUT put options with a strike price of \$1,145 and an expiration date of August 21, 2015 at \$0.4472 per share, for a total cost of \$3,846.51.
- c. The net credit collected on this trade was \$589.38 (\$4,435.89 - \$3,846.51). This amount represents the maximum possible gain from the trade, which was 0.37% of the account value.

¹ This account had a balance of \$160,989.00 at the beginning of the August 2015.

- d. The maximum possible loss for this trade was \$84,410.62 or 52.4% of the account value.²

25. The same trade was executed on August 20, 2015 for a number of Defendants' clients, including the Colorado clients, although the number of option contracts varied based on the equity in each individual account (*i.e.*, the greater the equity, the greater the number of contracts).

26. Collectively, on the August 20, 2015 net credit spread trade, Defendants risked a maximum loss of \$39,680,000 in order to pursue a maximum potential profit of only \$320,000.

27. The settlement value of RUT on August 21, 2015 dropped to \$1,145.06. As a result, Defendants' clients involved in the net credit spread strategy experienced at, or near, the maximum possible loss.

28. Defendants had knowledge of the heightened risk posed by the Strategy and failed to adequately disclose to clients the risk associated with trading net credit spreads in RUT options at the time they recommended it to the clients based, in part, on the following:

- a. Trading in RUT options ordinarily ceases on the business day preceding the date on which the settlement value is calculated. In the above transaction, trading ceased on Thursday, August 20, 2015, the same day the trade was executed in client accounts. However, the final settlement price of the RUT was not determined until the following trading day, August 21, 2015, the expiration date of the options. As a result, Defendants had no control over the trade and were exposed to market movement before settlement the next trading day. Since they could not exit the trade on the expiration date, they could not have withdrawn from the trade at all until the settlement price was posted.
- b. Defendants had no control over when the final settlement price was determined. The settlement price of the RUT is calculated using the opening price in the primary market of each component security of the Russell 2000 Index on the

² The maximum possible loss is calculated, as follows: 8,500 (the number of shares represented by 85 options contracts) X \$10 (the difference in the strike prices) = \$85,000 less the premium collected of \$589.39.

expiration date. In other words, the settlement value is priced later in the day, thereby increasing the trade's duration and its exposure to market fluctuations. Again, the Defendants were unable to exit the trade on August 21, 2015 and were subject to market fluctuations between the close of trading on August 20, 2015 and the open of each individual security in the Russell 2000 the following trading day.

29. Defendants knew that the Strategy entailed a high degree of risk to its clients for the following reasons:

- a. Recognizing the risk of executing trades too close to the strike price, H. Bowen and Klaass created an internal company policy on July 12, 2011, designed to act as a cushion and which included the mandate that the "credit spread should be 0.75% out of the money³ per remaining trading day."
- b. Also recognizing the magnitude of problems that the Strategy could create when it failed, Defendants implemented a policy in 2014 outlining internal procedures to be followed to mitigate such harms.
- c. Chris Hedquist, Vice President for Advisory Services, stated that the Strategy was "very aggressive" and should not constitute more than 25% of a client's liquid net worth. He also noted that the Strategy was only appropriate for investors with a "very high risk tolerance."
- d. Even though Klaass acknowledged the magnitude of the potential harm, describing it as a "very risky trade [and] not appropriate for all your investors[.]" he nonetheless overstated what precisely was required to cause the Strategy to fail by suggesting that a 'Black Swan'⁴ event, such as a terrorist attack after hours was needed. In

³ "Out of the money" is term used to describe a call option with a strike price that is higher than the market price of the underlying security, or a put option with a strike price that is lower than the market price of the underlying security. For example, a call with a strike price of \$10.00 is out of the money when the underlying security is priced at \$9.00. No one would exercise the right to purchase the underlying security at \$10.00 if it is trading at \$9.00.

⁴ "Black swan" refers to an unpredictable or unforeseen event, usually with extreme consequences.

reality, a decline of less than 2% was sufficient to cause millions in losses.

30. In putting their clients' assets at substantial risk in employing the Strategy, Allegis was also able to greatly increase the revenue the firm was receiving. For example, Allegis charged its clients an annual fee based upon the amount of assets under management, ranging from 1.75% for accounts less than \$250,000, 1.5% for less than \$1 million, and 1.25% for less than \$2 million. Except, any account that incorporated options trading strategies were charged a flat fee of 2.5%, double the normal fee for accounts between \$1 to \$2 million. As noted in an Allegis Investment Committee Meeting note, "[O]ur manufactured products (Net Credit Spread, Models) add 200% to revenue. Need to continue to internally manufacture products."

C. Defendants Failed to Fully Disclose the Risks of the Net Credit Option Strategy and Made Material Misrepresentations to the Colorado Clients while Providing Investment Advisory Services

31. Defendants, through Allegis' IARs, began an advisory relationship with the five Colorado clients who are at issue in this Complaint between 2011 and 2015.

32. Material misrepresentations common to some or all clients are:

- a. That the Strategy was designed for clients to safely earn income on their client's investments;
- b. That the maximum potential loss from the Strategy was 7-15% of the account's value; and
- c. That Defendants could get clients out of the trade if the market were to go against them.

33. Material omissions common to some or all clients are:

- a. That guarantees for returns had a corresponding risk and potential for loss;
- b. That the trade only required a minor market move to subject clients to the maximum potential loss;
- c. That Defendants lost the ability to exit the trade when the market closed the day before the option expiration.

K.P. and M.P.

34. Clients K.P. and M.P. began an advisory relationship with Allegis in March 2011 through their IARs H. Bowen and Klaass.

35. K.P. and M.P. were 78 and 75 years old, respectively, when they lost \$173,969.99 or approximately 45.23% of their account in the Strategy on August 21, 2015.

36. Klaass knew that K.P. and M.P. needed to earn income from their investments. On a telephone call in April 2015, K. P. informed Klaass that he was not making enough money off the trade for his living expenses. Klaass acknowledged that the trade was important for K.P. and M.P. because the account represented all of their liquid assets. In another call, Klaass told K.P. that he knew "this money means more to you than a couple years ago."

37. Between January 2012 and August 2015, Defendants placed K.P. and M.P. in 63 trades involving the Strategy. Out of these trades, 18 of them risked losing greater than 90% of the account value on a single trade. K.P. and M.P. risked losing more than 40% of their account value on 44 of the trades.

38. K.P.'s and M.P.'s account declined from more than \$900,000 when they started trading on the Strategy in January 2012 to less than \$400,000 at the time of the loss in August 2015. Throughout this time, Klaass misled K.P. into believing that his maximum potential loss from the Strategy was between \$30,000 and \$80,000. The latter figure would have represented approximately 9% of K.P.'s account value in January 2012.

39. Klaass explained to K.P. that the probability of losing on trades involving the Strategy was 3%, and that this was what "protected" K.P. In one call, K.P. asked Klaass: "What happens if you lose the 3%? How much is that?" Klaass did not directly respond to the question, but replied that in the event of trouble, he would "squash the trade and get you out" and stated "we have been right every time for five years."

40. However, it was not always possible to get out of the trade, and Klaass' statements to the contrary were misleading. With regard to the August 21st trade, there was no time in which Klaass could have withdrawn from it unless he did so on the same day he placed it, and Klaass could not have known the final settlement value of the index until it was too late. In addition, by stating that they had been "right every time for five years," Klaass falsely suggested that past performance was indicative of future results. More importantly, K.P. directly asked Klaass about the amount if he were to suffer a loss with the trade, and Klaass failed to provide material information to K.P., given the magnitude that amount represented not only in the

overall potential portfolio percentage but also compared to the minimal gain if the trade was successful.

41. On numerous instances, Klaass falsely assured K.P. he would make a specific return without disclosing the potential for loss.

42. In April 2015, K.P. reminded Klaass that Klaass had told him he would make \$100,000 off the Strategy that year. In July 2015, K.P. inquired about cashing out his account, and Klaass replied that Allegis would make over 11% for K.P. and M.P. that year.

43. Also in July 2015, Klaass misled K.P. by untruthfully claiming that the U.S. Food and Drug Administration was about to approve a testosterone therapy drug by Repros Therapeutics (NASDAQ: RPRX), which would cause the stock to go up "200-300%." Klaass told K.P. that he would make at least \$75,000 off the stock with no mention of downside risk.

44. Following the Strategy's failure on August 21, 2015, Klaass and K.P. spoke on the phone. K.P. stated to Klaass that he never would have gone forward with the Strategy had he known his potential losses were greater than \$80,000.

45. Also during the above conversation, Klaass erroneously told K.P. that the markets were in decline and that, in order to recover K.P.'s lost monies, Klaass was going to put K.P. into a fund that would return three times the inverse of the S&P 500. As a result, Klaass explained, when the markets go down, K.P. would win big. These statements are "lulling" activities undertaken to avoid detection or divert attention away from the earlier fraud.

46. In September 2015, Klaass purchased 500 shares of Proshares Short S&P 500 (NYSE: SH) and in November he purchased 300 shares of Direxion Shares Trust Daily S&P 500 Bear 3X (NYSE: SPXS) for K.P.'s account.

47. Klaass failed to inform K.P. that these "geared" funds were designed to reflect only the inverse of the S&P 500 from one day to the next, not over longer periods of time, and that the performance which Klaass touted was not likely to materialize. K.P. even confided to Klaass that he did plainly not understand the inverse fund investments. As a result, Klaass' statements to K.P. were materially misleading.

W.A. and S. A.

48. Clients W.A. and S.A. began an advisory relationship with Allegis in March 2011 through their IARs H. Bowen and Klaass.

49. W.A. and S.A. were 86 and 77 years old, respectively, when they lost \$84,510 or approximately 52.49% of their account in the Strategy on August 21, 2015.

50. Between January 2012 and August 2015, W.A. and S.A. were placed in 56 trades involving the Strategy. Of these trades, 42 risked losing greater than 90% of W.A.'s and S.A.'s account on a single trade. On all but three of the trades, W.A. and S.A. risked losing more than 40% of their account value.

51. Klaass and Bowen falsely told W.A. that the Strategy was a way to achieve current income without any risks.

D.S. and P.S.

52. Clients D.S. and P.S. began an advisory relationship with Allegis in November 2013 through their IARs H. Bowen and Klaass.

53. D.S. and P.S. were 68 and 64 years old, respectively, when they lost \$14,929 or approximately 7.72% of D.S.'s account value in the Strategy on August 21, 2015.

54. In P.S.'s account, there were 21 trades utilizing the Strategy between April 2014 and July 2015, of which 16 risked losing more than 40% of the account's value. In D.S.'s account, there were 28 such trades between January 2014 and August 2015, of which eight risked losing 20% or more of the account's value.

55. D.S. and P.S. affirmed that neither were familiar with the Strategy and neither could recall giving their consent to invest their money in it.

K.A.

56. Client K.A. began an advisory relationship with Allegis in June 2013 through his IAR Trevor Bowen.

57. K.A. was 36 years old when he lost \$198,819.99 or approximately 47% of his account in the Strategy on August 21, 2015.

58. K.A. was placed in 17 trades involving the Strategy between November 2013 and August 2015. All of these trades risked losing more than 40% of his account value while ten of them risked losing more than 90% of his account value.

59. K.A. stated that the risk of the Strategy was not clearly explained to him and that Defendants falsely told him that his maximum loss in the Strategy was 10%.

Defendants likewise misled K.A. by representing to him that they could “flatten” trades before taking a significant loss.

M.R. and L.R.

60. Clients M.R. and L.R. began an advisory relationship with Allegis in April 2015 through their IAR Tyson Wakley.

61. M.R. and L.R. were 64 and 65 years of age, respectively, when they lost \$54,689.99 or approximately 54% of their account in the Strategy on August 21, 2015.

62. Between May 2015 and August 2015, M.R. and L.R. were placed in six trades involving the Strategy. Of these trades, four of them risked losing between 90-100% of the account value and two of them risked losing approximately 50%.

63. On some date prior to August 21, 2015, H. Bowen told M.R. that Allegis could reduce potential losses from the Strategy and mitigate the risk. Bowen also told M.R. that a loss would probably never happen and that Defendants had not lost a trade yet. Defendants misled M.R. into believing that his maximum potential loss was 7-15%.

FIRST CLAIM FOR RELIEF
(Investment Adviser Fraud, § 11-51-501(5), C.R.S.)

All Defendants

64. Paragraphs 1 through 63 above are incorporated herein by reference.

65. Defendants received, directly or indirectly, consideration from their clients for advising their clients as to the value of securities or of any purchase or sale thereof, and violated § 11-51-501(5), C.R.S., in that they did:

- a. Employ any device, scheme, or artifice to defraud any client or prospective client;
- b. Make an untrue statement of a material fact to any client or prospective client or to omit to state to any client or prospective client any material fact necessary to make the statements made, in light of the circumstances under which they are made, not misleading, in the disclosure statement delivered to any client or prospective client pursuant to section 11-51-409.5 or a similar document under the federal "Investment Advisers Act of 1940" or during the solicitation of any such client or otherwise in connection with providing investment advisory services; or

- c. Engage in any transaction, act, practice, or course of business that operates or would operate as a fraud or deceit upon any client or prospective client or that is fraudulent, deceptive, or manipulative.

66. The Commissioner is entitled to a preliminary and permanent injunction against all Defendants, their officers, directors, agents, servants, employees, successors and attorneys-in-fact, as may be; any person who, directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with these Defendants; and all those in active concert or participation with these Defendants, enjoining violation of § 11-51-501(5), C.R.S., by virtue of § 11-51-602(1), C.R.S.

67. The Commissioner is also entitled to an award of restitution, disgorgement and other equitable relief on behalf of persons injured by the conduct of these Defendants pursuant to § 11-51-602(2), C.R.S.

68. The Commissioner is also entitled to a joint and several award of rescission, damages, interest, costs, attorney fees, and other legal or equitable relief, including disgorgement, on behalf of persons injured by the conduct of the Defendants pursuant to §§ 11-51-602(2) and 604(3) and (5), C.R.S.

SECOND CLAIM FOR RELIEF **(Securities Fraud, § 11-51-501(1), C.R.S.)**

All Defendants

69. Paragraphs 1 through 63 above are incorporated herein by reference.

70. In connection with the offer, sale, or purchase of securities in Colorado, the Defendants, directly or indirectly, in violation of § 11-51-501(1), C.R.S., did:

- a. Employ a device, scheme, or artifice to defraud;
- b. Make any untrue statement of material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which they were made, not misleading; or
- c. Engage in any act, practice, or course of business which operated or would operate as a fraud or deceit upon any person.

71. The Commissioner is entitled to a preliminary and permanent injunction against all Defendants, their officers, directors, agents, servants, employees, successors and attorneys-in-fact, as may be; any person who, directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under

common control with these Defendants; and all those in active concert or participation with these Defendants, enjoining violation of § 11-51-501(1), C.R.S., by virtue of § 11-51-602(1), C.R.S.

72. The Commissioner is also entitled to an award of restitution, disgorgement and other equitable relief on behalf of persons injured by the conduct of these Defendants pursuant to § 11-51-602(2), C.R.S.

73. The Commissioner is also entitled to a joint and several award of rescission, damages, interest, costs, attorney fees, and other legal or equitable relief, including disgorgement, on behalf of persons injured by the conduct of the Defendants pursuant to §§ 11-51-602(2) and 604(3) and (5), C.R.S.

WHEREFORE, the Commissioner requests relief as follows:

1. For permanent injunctive relief against all the Defendants, their agents, servants, employees, and successors; any person who, directly or indirectly, through one or more intermediaries, controls or is controlled by, or is under common control with; and all those in active concert or participation with the Defendants, enjoining the violations of all the Defendants of the Colorado Securities Act or successor statute pursuant to § 11-51-602(1), C.R.S.

2. For judgment in an amount to be determined at trial against all the Defendants, jointly and severally, for damages, interest, costs and attorneys' fees, restitution, disgorgement and other legal and equitable relief on behalf of persons injured by the conduct of the Defendants pursuant to §§ 11-51-602(2) and 604(3), and (5), C.R.S., as the Court deems appropriate. This relief is sought on behalf of the persons injured by the acts and practices of all Defendants that constitute violations of the Act and for the Commissioner to recover attorney fees and costs.

3. For such other and further relief as the court deems proper.

Dated this 1st day of May, 2017.

CYNTHIA H. COFFMAN
Attorney General



ROBERT W. FINKE, 40756*

First Assistant Attorney General

MATTHEW J. BOUILLON MASCAREÑAS, 46684*

Assistant Attorney General

Business & Licensing Section
Attorneys for Plaintiff Gerald Rome, Securities
Commissioner
1300 Broadway
Denver, Colorado 80203
Bouillon Telephone: (720) 508-6401
Fax: (720) 508-6037
Email: robert.finke@coag.gov
matthew.bouillon@coag.gov
*Counsel of Record