

Securities Fraud Unit

Colorado citizens are swindled out of millions of dollars each year through securities fraud. Securities fraud takes many forms including pyramid schemes, oil and gas investment schemes, and “fix-and-flip” housing scams, among others. Our aging populations are often specifically targeted by those seeking to perpetrate investment crimes and the resulting losses to retirement funds and life savings can be catastrophic. In addition, due to the impending explosion of baby boom generation retirements the potential for losses is ever increasing. The Attorney General has been granted the authority to aggressively prosecute criminal violations relating to securities and securities fraud. The Office of the Attorney General is recognized statewide for its expertise on securities fraud matters and works many high profile cases. The Unit utilizes its original jurisdiction to independently investigate, charge when necessary, and prosecute securities violations statewide. The Securities Fraud Unit frequently utilizes the Statewide Grand Jury for these sophisticated and complex cases. The Securities Fraud Unit closely collaborates with the Colorado Division of Securities and Colorado law enforcement agencies to prosecute these crimes. The Unit is made up of two attorneys, two investigators, a paralegal and half of the time of an administrative assistant.

The Unit obtained thirteen convictions involving securities fraud in 2012. The convictions resulted in restitution orders totaling \$12,325,750.64 on behalf of 160 victims. In each case, the defendant was convicted of one or more charges of class-three felony securities fraud. All but one defendant were first-time criminal offenders, seven of whom were sentenced to the Colorado Department of Corrections.

In 2012, the Unit conducted 16 formal investigations. In addition, investigators reviewed another 99 complaints derived from multiple sources, including law enforcement agencies, citizens, and a complaint website that investigators and attorneys ultimately referred to other sources or determined did not warrant further formal investigations.

Noteworthy cases prosecuted by the Securities Fraud Unit in 2012 include:

Phillip Trujillo was the principal of Wealth management Resources LLC and Trujillo Investments LLC. Trujillo worked in the securities industry for a number of years and possessed a number of investment licenses. Trujillo solicited over four million dollars from investors for investment entities he controlled. He represented that monies would be directed to “investment grade securities” among other things but in fact the bulk of the funds went to unsecured promissory notes. Trujillo was convicted of five counts of securities fraud and one count of theft and was sentenced to 12 years in the Colorado Department of Corrections. He was further ordered to pay \$4,813,266.37 in restitution to 69 victims.

Stanley Anderson had a number of Colorado business interests including tax services, a trucking company, a cleaning company as well as management companies. He solicited approximately 30 Colorado investors to invest in these interests promising high rates of return of up to 35%. Anderson told investors that he would use the money to purchase trucks and offer high interest loans. Instead, Anderson used the money for his own personal expenses and to pay back prior investors. Anderson was convicted of securities fraud and was sentenced to 11 years in the Colorado Department of Corrections. In addition, he was ordered to pay \$1,774,168.91 in restitution to 25 victims.

The Unit tracked restitution payments of 79 defendants during 2012, during which time over \$283,000 was collected by the courts on behalf of victims.

Insurance Fraud Unit

Colorado residents pay billions of dollars annually in insurance premiums. When insurance fraud in its many varied forms occurs, those costs are not only borne by the insurance companies but they are passed on to Colorado citizens in the form of higher premiums and insurance costs. Typical cases involve staged accidents, theft of premiums, fraudulent claims, contractor fraud and overbilling for services. The Insurance Fraud Unit has been tasked with the investigation and vigorous prosecution of criminal offenses relating to insurance fraud. Charges often involve crimes such as theft, forgery, identity theft, and in some instances, racketeering. The Unit was recently expanded and now consists of four attorneys, five investigators, one full time paralegal, one half time paralegal, and half of the time of an administrative assistant. This Unit is uniquely situated to handle insurance fraud cases and our staff is highly regarded statewide due to their expertise in this area. Staff of the Insurance Fraud Unit share their expertise in this arena and provide assistance to other investigators and law enforcement throughout the state.

During 2012, the Unit saw a dramatic increase in referrals. In 2012, there were 1385 referrals of potential criminal cases relating to insurance fraud. This represents more than double the referrals from the prior year. Most of these referrals were made to the Unit by the Colorado Division of Insurance and the National Insurance Crime Bureau (NICB). In addition, the Unit investigated and responded to a number of citizen complaints as well. The Unit continues to work larger, more complex cases both internally and in conjunction with other law enforcement agencies. In 2012, the Unit conducted several large and complex investigations in the Statewide Grand Jury and obtained grand jury indictments. The Unit also concluded investigations in the Grand Jury that began the year prior.

In 2012, the Unit opened 129 new investigations, after screening all of the case referrals. The Unit filed a total of twenty-nine new cases in Colorado courts by complaint and information. Cases were filed in Adams, Arapahoe, Broomfield, Chaffee, Delta, Denver, El Paso, Jefferson, and Weld counties. Due to enhanced tracking capability, since July of 2012 the Unit recorded the following number of cases per category: 124 accident and health, 23 agent or producer, 458 automobile, 23 commercial liability, 1 commercial auto, 98 health and accident, 254 homeowner, 3 life insurance, 12 worker's compensation, and 35 others.

Noteworthy cases for 2012 include the following:

Martin Lobatos made a claim for worker's compensation insurance after an accident. Lobatos and his wife Belen then began representing to medical providers that Martin's condition was deteriorating to the point that they claimed he had become nearly catatonic. Over a period of 18 months, the Lobatos attended dozens of medical appointments where Mr. Lobatos presented as being in a catatonic state. Witnesses reported observing Martin Lobatos hiding in the back seat of the family car as it would depart the residence with his wife driving. Subsequent surveillance revealed that Mr. Lobatos was engaging in regular activities such as driving, shopping, going to church, and tending to his horse. Both defendants plead guilty to theft and providing false statements. Restitution was ordered in the amount of \$161, 721.69.

Ann Phelps owned an insurance agency and had a number of employees. She collected \$27,780 from her employees to have them covered under *Errors and Omissions Malpractice Insurance*. However, she did not have the insurance put into place on behalf of her employees and kept the money for herself. She issued her employees false Declaration Sheets of Insurance that she created. She pled guilty to forgery and paid all the money back to her employees. She received two years supervised probation.

The Unit continues to see a large number of staged accidents of motor vehicles. In terms of loss, The Unit has been attempting to coordinate the investigations of staged accident rings with the dozens of insurance companies affected. By also working with the National Insurance Crime Bureau, the Unit has been able to leverage its unique expertise to initiate investigations based upon analysis of crime patterns and the assimilation of insurance data. Many times insurance crimes goes unnoticed by individual insurance companies because the claim losses are spread out among different companies. The Insurance Fraud Unit is changing that.

During 2012, the Unit supervised the restitution payments of 58 defendants on probation for insurance fraud-related crimes. \$304,277.14 in restitution was collected in 2012. Additionally, the Unit achieved new restitution orders totaling \$366,954.47.