

## 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, Ponzi schemes, oil and gas investment schemes, and “fix-and-flip” housing scams, among others. Our aging population is 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 warranted, 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 a program assistant.

The Unit obtained guilty pleas from six defendants on seven separate cases who committed securities fraud in 2014. The convictions resulted in restitution orders totaling \$8,479,869 on behalf of 146 victims. Most defendants were sentenced to the Colorado Department of Corrections.

In 2014, the Unit took on investigations forwarded from the Colorado Division of Securities, SEC, and other agencies. In addition, several internal Securities Fraud Unit investigations were initiated based on citizen reports and an updated internet reporting procedure. Investigators also continued working on investigations and cases that continued from the prior year. In 2014, investigators reviewed a total of 87 complaints derived from multiple sources, including law enforcement agencies, citizens, and website referrals.

Noteworthy cases prosecuted by the Securities Fraud Unit in 2014 include:

**Robert Zickefoose** was indicted by the Statewide Grand Jury on seven counts of securities fraud and theft. Zickefoose was the sole owner and president of Colorado Springs-based Zickefoose Reserves LLC, and later, Choice Energy Group LLC. The investment offered by Zickefoose was a share of a “working interest” in oil and gas wells named the Ruby #1 and Ruby #2 in the Wattenberg oil and gas field. The investment was sold to at least 14 investors from 2009 to 2011. Zickefoose defrauded investors by employing individuals who solicited investment money through “cold calls” to people in Colorado Springs and other locations and then

converted investment money for personal use and other non-investment related expenses. Zickefoose never owned or acquired the interests he was selling to investors. Zickefoose was convicted of securities fraud and was sentenced to 10 years in the Colorado Department of Corrections and ordered to pay \$751,245.00 in restitution.

**Chris Orlowski** solicited investment money in order to trade in commodities, derivatives, and futures contracts. Orlowski accepted investor money and promised he would deposit investment money into trading accounts. In fact, he only deposited a small amount of investor money into trading accounts for investment. Rather, he transferred the majority of investor money into his personal bank account and used it for personal and non-investment related expenses, which he did not disclose to investors. Orlowski received \$259,666.67 in investment funds from eleven investors. He was sentenced to 8 years economic crime probation, 200 hours community service, 90 days jail, and liquidation of assets to pay restitution. Restitution was ordered in the amount of \$178,903.42.

Individuals are “under a moral and legal obligation to make full restitution to those harmed by their conduct,” according to Colorado law.<sup>1</sup> Restitution is an essential component of any sentence sought by Unit prosecutors. In order to ensure that restitution is made regularly to victims of securities fraud, the Unit tracks restitution that is paid into various court registries throughout the state. The Unit tracked restitution payments on behalf of 2,540 victims during 2014. During this time \$281,636 was actually collected on behalf of victims.

### **Insurance Fraud Unit**

Colorado residents pay many millions 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 or caused automobile accidents, theft of insurance 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 insurance fraud, theft, forgery, identity theft, and in some instances, racketeering. The Unit now consists of four attorneys, six investigators, one full time paralegal, one half time paralegal, and a program 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. Recently, two prosecutors from the Unit won the prestigious Coalition Against

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<sup>1</sup> C.R.S. 18-1.3-601(1)(b)

Insurance Fraud Prosecutor of the Year award for their work on a complex insurance fraud prosecution.

During 2014, the Unit continued to see a dramatic increase in referrals. In 2014 there were 1621 referrals of potential criminal cases relating to insurance fraud. Most of these 2014 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 large and complex cases both internally and in conjunction with other law enforcement agencies. In 2014, several large and complex investigations were opened in the Statewide Grand Jury and resulted in grand jury indictments.

In 2014, the Unit opened 145 new investigations after screening all of the case referrals to determine which cases had potential for verifiable criminal activity. In addition, since tracking began on July 1, 2014, Investigators also worked 9 major cases pertaining to highly complex, multi-jurisdictional, or otherwise massive investigations. A major case designation denotes a large commitment of investigative resources by the Unit. Major cases represent an investment of a minimum of 100 hours of investigatory working hours.

The Unit filed a total of 31 new felony criminal cases in Colorado courts by complaint or by indictment. Cases were filed in Adams, Arapahoe, Boulder, Denver, Douglas, El Paso, Huerfano, Jefferson, Larimer, Mesa, and Weld counties. The Unit recorded the following categories for referrals: 874 automobile, 3 annuity, 150 accident and health, 20 life insurance, 320 homeowners, 79 workers compensation, 48 commercial, 4 commercial auto, 21 agent/broker, and 102 others.

Noteworthy cases for 2014 include the following:

**Mike Tee** was charged with multiple felony counts of theft, identity theft, conspiracy, attempt to influence a public servant, impersonation, computer crime and attempted theft for engaging in a variety of insurance frauds. Tee purchased stolen credit card numbers and made purchases from a retailer for auto parts or other merchandise he could sell overseas. Some merchandise was used to repair cars he used in staged accidents to sell for profit. Tee purchased salvage vehicles for a small cost, transferred title to a friend and then had the friend falsely report it as stolen in order to collect the insurance settlement based upon the car being undamaged. Tee used vehicles he owned to report hit-and-run accidents. The vehicles had pre-existing damage. Tee then called in police reports to provide cover for filing false insurance claims. Tee worked with others to intentionally damage vehicles so that each party could submit false insurance claims. Tee even conspired with others to develop a false story about a car accident so that they could submit false insurance claims based upon that story where both vehicles had pre-existing damage. After a jury trial, Tee was found guilty of 24 felony counts.

**Ambrea Harris** was convicted of a felony count after a jury trial. After her new Chevrolet Cruze was involved in a motor vehicle accident and impounded, Harris submitted a claim to her insurance company which was denied. She then opened a new policy over the internet with a new insurance carrier and filed a claim alleging the vehicle was damaged after the inception date of the policy. The vehicle, however, was still in the city impound lot at the time she alleged the accident occurred. The Defendant claimed an alternate suspect was responsible at trial. The jury ultimately convicted Ms. Harris. Harris had three prior felony convictions and was on parole at the time she committed the attempted theft. At a sentencing hearing on January 8, 2015, Harris was sentenced to two (2) years in the Department of Corrections and one (1) year of mandatory parole. She is currently serving her sentence.

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 collaborating 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.

Individuals are “under a moral and legal obligation to make full restitution to those harmed by their conduct,” according to Colorado law.<sup>2</sup> Restitution is an essential component of any sentence sought by Unit prosecutors. During 2014, \$361,289.47 in restitution was ordered by Colorado District Courts after conviction for insurance fraud cases filed by the Unit. In addition, the Unit tracked restitution payments for 60 defendants in 2014. In total, \$125,507.32 was paid by these defendants towards their restitution obligations.

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<sup>2</sup> C.R.S. 18-1.3-601(1)(b)