

**IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLORADO**

Civil Action No.: 21-cv-01404

UNITED STATES SECURITIES
AND EXCHANGE COMMISSION,

Plaintiff,

v.

THE LEGACY GROUP, INC.,
COLORADO VENTURES I, LLC,
RADIANT HOLDINGS, LLC, RANDY R. KING,
MATTHEW B. KING, and ANDREA S. TROUT,

Defendants.

COMPLAINT

Plaintiff United States Securities and Exchange Commission (“**SEC**”) alleges the following against Defendants The Legacy Group, Inc. (“**Legacy**”), Colorado Ventures I, LLC (“**COV**”), Radiant Holdings, LLC (“**Radiant**”), Randy R. King (“**R. King**”), Matthew B. King (“**M. King**”), and Andrea S. Trout (“**Trout**”):

SUMMARY OF THE ACTION

1. From at least 2014 to 2019, Colorado-based real estate investment entities Legacy, COV, and Radiant, and their principals, R. King, M. King, and Trout (collectively, the “**Defendants**,” and R. King, M. King, and Trout, collectively the “**Individual Defendants**”) conducted fraudulent, unregistered securities offerings, raising more than \$29 million from over 200 investors across the United States and abroad. Many of the investors were unsophisticated and unaccredited, and dozens invested the majority of their retirement funds in the Defendants’ fraudulent ventures. While the Defendants pocketed hundreds of thousands of dollars in

undisclosed compensation, collectively, investors in Legacy, COV and Radiant lost more than \$10 million when most of the underlying real estate development projects failed.

2. Through Legacy, the Individual Defendants marketed investment opportunities in “fix-and-flip” residential real estate properties that were located in high-end markets like Beverly Hills, Palm Springs, Pebble Beach, and Sonoma, California. Legacy offered investors interests in promissory notes (the “Note”) that yielded from 12% to 16% interest annually, along with an interest in the proceeds from the future sale of the real estate property.

3. Legacy and the Individual Defendants told investors the money raised in connection with the investments would be spent exclusively on the underlying real estate project. In reality, Legacy and the Individual Defendants misused investor funds by using money raised in connection with specific projects on other projects and taking project funds to which they were not entitled.

4. Further, Legacy and the Individual Defendants made material misrepresentations about the value of certain properties, the amount of equity and liabilities tied to certain properties, and generally mischaracterized certain investments as having minimal risk with a high reward.

5. Legacy also took undisclosed compensation on various projects. From 2014 to 2016, Legacy made more than \$416,000 through “origination points,” serving as a “loan broker” on its investors’ projects. Legacy and the Individual Defendants did not disclose this compensation to investors, and it was contrary to the business plan Legacy led its investors to believe that it was following.

6. In 2018, after many Legacy projects failed, R. King and M. King raised additional funds through COV and Radiant and then misappropriated a portion of investor funds.

Specifically, the Kings raised an additional \$135,000 through COV and \$30,500 through Radiant by promising investors that they could make back the money they lost with Legacy in a new fix-and-flip venture. Instead of using investor funds to complete the remaining projects as promised, they withdrew thousands of dollars for their own use and to cover expenses of unrelated projects.

7. Through the activities alleged in this Complaint, Legacy, R. King, M. King, and Trout violated Sections 5(a), 5(c) and 17(a)(3) of the Securities Act of 1933 (the “Securities Act”) [15 U.S.C. § 77e(a), e(c), and q(a)]. Legacy, COV, Radiant, R. King, and M. King, also violated Section 17(a)(1) and 17(a)(2) of the Securities Act [15 U.S.C. § 77e(a).] and Section 10(b) of the Securities Exchange Act of 1934 (the “Exchange Act”) [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5].

8. Accordingly, the SEC seeks a judgment from the Court: (a) finding that Defendants committed the violations alleged herein; (b) permanently enjoining Defendants from future violations of the aforementioned provisions of the federal securities laws; (c) permanently enjoining the Individual Defendants from, directly or indirectly, including, but not limited to, through any entity that they own or control, soliciting any person or entity to purchase or sell any security in an unregistered offering by an issuer; (d) requiring Legacy and the Individual Defendants to disgorge their ill-gotten gains and pay prejudgment interest; and (e) requiring the Individual Defendants to pay civil money penalties pursuant to Section 20(d) of the Securities Act [15 U.S.C. § 77t(d)] and Section 21(d)(3) of the Exchange Act [15 U.S.C. § 78u(d)(3)].

JURISDICTION AND VENUE

9. The SEC brings this action pursuant to authority conferred on it by Sections 20(b) and 20(d) of the Securities Act [15 U.S.C. § 77t(b), 77t(d)] and Section 21(d) of the Exchange Act [15 U.S.C. § 78u(d)].

10. This Court has jurisdiction over this action pursuant to Section 22 of the Securities Act [15 U.S.C. § 77v] and Section 27 of the Exchange Act [15 U.S.C. § 78aa].

11. In connection with the conduct alleged in this Complaint, Defendants have directly or indirectly made use of the means or instrumentalities of transportation, communication in interstate commerce, or the mails.

12. Venue is proper in this district under 28 U.S.C. § 1391(b)(1)-(2) and Section 22(a) of the Securities Act [15 U.S.C. § 77v(a)] because all of the Defendants conducted business in this District; Legacy, COV, and Radiant's principal place of business was within District; and the Individual Defendants were residents of this District during the time the conduct alleged in this Complaint occurred.

DEFENDANTS

13. **Randy R. King**, age 68, resides in Colorado Springs, Colorado. He is Matthew B. King's father, the President and a managing member of Legacy, and a managing member of COV and Radiant.

14. **Matthew B. King**, age 46, resides in Colorado Springs, Colorado. He is a Vice President and a managing member of Legacy and a managing member of COV and Radiant.

15. **Andrea S. Trout**, age 44, resides in Colorado Springs, Colorado and Delray, Florida. Trout is a Vice President and a managing member of Legacy.

16. **The Legacy Group, Inc.**, was incorporated in Colorado in 2010 with its principal place of business in Colorado Springs, Colorado. Legacy is owned and controlled by R. King, M. King, and Trout. Neither Legacy nor its securities have ever been registered with the SEC.

17. **Colorado Ventures I, LLC** (“COV”) was incorporated in Colorado in 2018 with its principal place of business in Colorado Springs, Colorado. COV is owned and controlled by R. King and M. King. Neither COV nor its securities have ever been registered with the SEC.

18. **Radiant Holdings, LLC** (“Radiant”) was incorporated in Colorado in 2007 with its principal place of business in Colorado Springs, Colorado. Radiant is owned and controlled by R. King and M. King. Neither Radiant nor its securities have ever been registered with the SEC.

STATEMENT OF FACTS

I. Legacy’s Business

19. Legacy is a privately-owned real estate investment group based in Colorado Springs. The Individual Defendants started Legacy to gain a foothold into real estate private lending, eventually overseeing the redevelopment of multi-million dollar fix-and-flip residential projects financed from outside lenders and investors.

A. The Seminar Group

20. In 2011, the Individual Defendants paid to attend a real estate investment seminar in California that was sponsored by an entity, referred to here as “**the Seminar Group**,” which claimed participants would learn to make a profit on financing real estate deals.

21. The Seminar Group structured the seminars into a three-tiered membership opportunity, with each tier opening the door to so-called “more exclusive investment opportunities.” The Individual Defendants attended all three levels, ultimately gaining access to a “Platinum Community,” which purportedly included access to elite deals and experts in private lending.

22. Through the Seminar Group, the Individual Defendants learned how to become a “deal sponsor.” As a deal sponsor, instead of lending their own money to borrowers to finance a real estate redevelopment project, the Individual Defendants raised money from investors and structured those investments into a standard promissory note (the “**Note**”) that was then followed by a Specialized Lending Trust (“**SLT**”), which incorporated the terms of the Note into a trust.

23. Through the Seminar Group, the Individual Defendants met potential investors, developers, borrowers, “hard money lenders,” and other real-estate service providers.

B. Gap Lending

24. Legacy’s basic lending model was to provide real estate “gap loans,” which were loans to cover the difference between the funds a senior lender provided a borrower and the funds the borrower needed to complete the real estate project. Typically, the senior lender provided enough funds to purchase the property and to cover a share of the estimated construction costs. To obtain loans from senior lenders, borrowers provided the senior lenders with a security interest (a deed of trust) on the underlying properties. The senior lenders also usually required a significant portion of the loan to be set aside for escrow interest payments, tying up a chunk of the loan. To make up the “gap” for the additional funds needed for the redevelopment, developers would look to lenders like Legacy to borrow the additional costs of construction.

25. Legacy turned to its investors to raise the funds to provide the gap loans. Because gap lenders have subordinate or junior security interests in the underlying properties as compared to the senior lender, they face more risk and exposure if the project is unsuccessful. As a result, gap lenders typically charged a higher interest rate than the interest rate charged by senior lenders.

C. Legacy’s Unregistered Securities Offerings

26. Between 2014 and 2019, Legacy and the Individual Defendants raised more than \$29 million in unregistered securities offerings from over 200 investors from dozens of states, including California, Colorado, and Virginia, and other countries, including Canada and Mexico. Legacy hosted dinners and networking events to solicit new investors. Legacy also purchased a list of potential investors whom the Individual Defendants solicited through cold-calls.

27. Until 2017, Legacy did not screen investors for accreditation before they invested. In late 2017, Legacy began asking its investors by email if they were accredited. Of those who responded, Legacy did not take steps to verify their status, nor did it take steps to track unaccredited investors or remove them from its solicitations.

D. Legacy Solicited Investors with “Opportunities”

28. Legacy solicited prospective investors to raise money to provide gap loans for specific projects. Legacy emailed prospective investors a “Lending Opportunity Profile,” which it also called a “Platinum Opportunity Profile” when it sent the profile to members of the Platinum Community (collectively, “**Opportunities**”).

29. The Opportunities contained: (1) a short description of the property and surrounding real estate market; (2) a chart disclosing the expected sale value of the property, funds needed for the project, and current liabilities; and (3) the terms of the investment, including the annual interest payments and any share in the sale of the property. The Opportunity also contained “before” and “after” photos and renderings of the property, and a general discussion of why Legacy expected the project to be profitable.

30. Legacy’s Opportunities appealed to investors’ desire to make a profit and were alluring by design: the Opportunities used language like “Another Opportunity to Make a

Ridiculous Spread,” described properties and surrounding neighborhoods as “famed,” selling like “hotcakes,” “a popular location for filming and as well as a home for many celebrities,” and listed the names of nearby celebrities’ homes.

31. The Individual Defendants collectively drafted the Opportunities, often meeting at a conference table to draft the solicitation, circulating drafts via email, and making edits and additions before sending the final version to potential investors.

32. R. King had final approval over the Opportunities. As President of Legacy, he was primarily responsible for overseeing the financial aspects of the investments, including determining the use of funds and budgeting for projects. He also had the most interactions with Legacy’s investors and senior lenders. One former employee described him as the “patriarch.”

33. A prospective investor typically replied to Legacy’s Opportunities if the investor was interested in the project. Investor replies were automatically directed to an email address to which all three Individual Defendants had access. R. King or an administrative assistant most frequently replied to interested investors.

E. Legacy Issued Notes to Investors

34. After investors agreed to invest, Legacy’s administrative assistant would confirm the amount of the investment and email the investor a “Welcome Package.” The Welcome Package was a standard package across all Legacy investments and included a cover letter with wiring instructions, the Note, disclosures about Legacy’s projects generally (expected length of time, where to send funds, etc.), and a W-9 tax payment form.

35. The Note was an investment contract between Legacy and its investors. It detailed the amount invested, the specific project covered by the investment, the interest payment to be paid to the investor (typically 12-16%), and the duration of the Note.

36. The Notes expressly stated that Legacy would only use funds raised on the specific property pledged as collateral on the Note: “The Principal shall be used by the Borrower to make a loan to the Owner, secured by a Deed of Trust in the Property and for no other purposes.” Legacy reiterated this representation in the SLTs, which stated the investment would be used for the “express purpose” of improving the real estate described in the Notes and SLTs.

37. Once Legacy raised sufficient funds for a project (typically from a number of investors), it would send investors a copy of the SLT. The SLT incorporated the terms of the Note, including the interest payments and the specific property for which Legacy would use the investors’ funds. The amount of time between when the investor invested and when Legacy closed the SLT varied from project to project, lasting from a few days to sixth months or more.

38. Each of the Individual Defendants executed SLTs on behalf of Legacy. As provided under the Note and the SLT, Legacy’s investors did not participate in the construction or improvement of the property or otherwise take any active role in the projects.

II. Legacy and the Individual Defendants Defrauded Investors

39. The bulk of Legacy’s offerings took place in 2014-2015. By 2016, Legacy managed more than \$30 million in assets. But as projects stretched on, Legacy faced higher financing costs, increased investor interest payments, and cost overruns. Legacy found itself fighting off foreclosures and notices of sale from senior lenders for many of its projects.

A. Legacy and the Individual Defendants Misrepresented the Use of Investor Funds

40. Legacy’s Notes expressly stated that Legacy would only use funds raised on the specific property pledged as collateral on the Note and “for no other purposes.” Legacy reiterated this representation in the SLTs, which stated the investment would be used for the “express purpose” of improving the real estate described in the Notes and SLTs.

41. Accordingly, a reasonable investor would have believed that Legacy and the Individual Defendants would spend their funds exclusively on the project in which they invested.

42. But Legacy's statements that it would spend funds exclusively on a specific investment project were false and misleading with respect to certain projects because Legacy used funds provided for one project on other projects.

43. In one example, Investor A invested \$435,000 in four specific Legacy projects in California and North Dakota. But Legacy used Investor A's funds on eight different projects.

44. In another example, Legacy solicited investments from Investor B for a property located in Sonoma, California, and Investor B invested \$75,000 as a result. Legacy received Investor B's investment on August 25, 2016. On August 30, 2016, R. King authorized a wire of \$50,000 to Legacy's main account, which included Investor B's funds; those funds were then spent on expenses unrelated to the Sonoma project. R. King also wired \$19,000 of those funds to another project unrelated to Investor B's investment. Investor B's funds were never spent on the project in which she invested, and Investor B did not receive any interest payments or returns in connection with her investment.

45. R. King was primarily responsible for budgeting and approving the use of project funds and routinely dealt with Legacy's investors.

46. R. King, M. King, and Trout all drafted, reviewed, or had access to Legacy's Notes and SLTs. They also all met and communicated with a Legacy employee who attempted to track instances in which investor funds were used on other projects.

47. R. King knew or was reckless in not knowing and should have known that Legacy's representations that funds would be spent exclusively on specific projects were false

and misleading and that Legacy's misuse of investor funds was deceptive and contrary to Legacy's representations to its investors.

48. M. King and Trout should have known that Legacy's representations that funds would be spent exclusively on specific projects were false and misleading and that Legacy's misuse of investor funds was deceptive and contrary to Legacy's representations to its investors.

49. Statements to Legacy's investors that their funds would be used exclusively on specific projects were material to Legacy's investors. A reasonable investor would have wanted to know that Legacy was not using his or her funds as it represented it would.

B. Legacy and the Individual Defendants Received Project Funds to Which They Were Not Entitled

50. Legacy's Notes expressly stated that Legacy would only use funds raised on the specific property pledged as collateral on the Note and "for no other purposes." Legacy reiterated this representation in the SLTs, which stated the investment would be used for the "express purpose" of improving the real estate described in the Notes and SLTs.

51. Accordingly, a reasonable investor would have believed that their funds would be spent exclusively on the project in which they invested.

52. But Legacy's statements that it would spend funds exclusively on a specific investment project were false and misleading because, in some instances, R. King authorized distributions from project funds to himself, M. King, and Trout.

53. R. King was primarily responsible for budgeting and approving the use of project funds and managing Legacy's bank accounts.

54. R. King knew or was reckless in not knowing and should have known that Legacy's representation that funds would be spent exclusively on a specific project were false

and misleading and that providing project funds to himself and the other Individual Defendants was deceptive and contrary to Legacy's representations to its investors.

55. By receiving personal distributions of Legacy funds (as authorized by R. King), M. King and Trout should have known, based on their access to Legacy's financial accounts, investor documents, and project files, and their respective roles with the company, that they were not entitled to Legacy project funds. R. King received over \$124,000, M. King received over \$50,000, and Trout received \$23,509 in ill-gotten gains.

56. Statements to Legacy's investors that their funds would be used exclusively on specific projects were material to Legacy's investors. A reasonable investor would have wanted to know that the Individual Defendants were personally receiving project funds.

C. Legacy and the Individual Defendants Made Misrepresentations and Omissions to Investors Regarding Certain Projects' Risk and Status

1. The Misleading Back-To-School Opportunity

57. On August 18 and 19, 2016, Legacy emailed an "Opportunity" to potential investors seeking additional funds for five projects. The Opportunity said that each of the projects were "either in or entering the construction stage." The Opportunity highlighted a property in Sonoma, stating, "The new first position refinance is ready to close, but we need a small amount added to the second to close escrow.... Now, with control, and funds added to complete construction, it will move forward and get DONE. Estimated 6 months to finish and close."

58. Based on the Opportunity, a reasonable investor would have understood the project was near completion, with a "small amount" of funds needed to be set aside for an escrow. One of the recipients of Legacy's solicitation, Investor B, invested \$75,000 in the Sonoma project.

59. However, the Opportunity was misleading because it did not disclose that the Sonoma property was in the midst of a foreclosure proceeding. In fact, since February 2016, the project had been behind on payments to the first position lender and it was incurring thousands of dollars in delinquent payments and fees each month. On July 18, 2016, and August 19, 2016, the Legacy email address to which the Individual Defendants had access received a notice that Legacy owed \$76,000 and \$96,000 respectively, and the senior lender had initiated the statutory process for foreclosure.

60. The Opportunity therefore rendered misleading the true status of the Sonoma property and how the funds would be used. Further, the Opportunity failed to disclose the status of the foreclosure action on the property.

61. On August 19, 2016, the same day Legacy emailed the “Back to School” Opportunity, R. King wrote an email to a select group of investors, begging them to help “raise [more money] for numerous troubled deals.” He told these select investors he would tell them “the real stories behind the [Back to School] flyer,” including for the project in Sonoma, stating that they needed \$250,000 to close the new financing, and writing, “I’m worried about getting those funds before I lose the new 1st.”

62. The fact that the Sonoma property was barely avoiding foreclosure, rather than having “construction funds” and nearing completion, would have been material to a reasonable investor. Investor B never received the promised interest payments or a return of her principal.

63. The “Back to School” Opportunity also solicited investments for a project in Palo Alto, California. The Opportunity described the project as “Ready for demo and construction.”

64. A reasonable investor would have understood their investment funds would be spent on exactly that: demolition and construction.

65. This Opportunity was false and misleading. In the same email R. King wrote to the select group of investors describing the “real stor[y],” he said the funds were needed for a loan escrow and to “release” people from “Phase I,” i.e., repay current investors in the project.

66. R. King knew or was reckless in not knowing and should have known that the statements about the Palo Alto project in the “Back to School” Opportunity were false. In fact, R. King knew the funds were needed to replace Legacy’s preexisting investors.

67. Likewise, M. King and Trout each should have known that the statements in the “Back to School” Opportunity were false. Both had access to Legacy’s email address in which investor redemption requests and financial updates were sent, and both regularly met with R. King and Legacy’s loan administrator to discuss the status of projects and how funds would be used.

68. The fact that Legacy was using investor funds to buy-out previous investors – and not for the actual demolition and construction of the property – would have been material to a reasonable investor.

2. Misrepresentations Regarding Preexisting Liabilities

69. Legacy also misrepresented to investors the amount of preexisting liabilities – including more senior hard money loans and investors interests – tied to Legacy’s projects. As a result, Legacy reduced and thereby misrepresented the amount of liabilities tied to these projects, giving investors false information as to the security of their investment.

70. For example, in 2016, Legacy created several multi-property investment opportunities, such as the “Beverly Hills Three Point Trust,” and solicited new and previous investors to invest in the Trust. Legacy marketed to its investors that these projects were lower risk because their risk was spread across three assets.

71. Legacy emailed investors an Opportunity that provided a chart showing the first and second position interests in each property, and the expected sale price.

72. Legacy represented that one property in Beverly Hills had a \$3.1 million first position loan, no second position loan, and an expected sale price of \$5.5 million. In reality, the Beverly Hills property had already raised \$1.19 million from other investors, on top of the \$3.1 million first position loan, and had total liabilities of \$4.29 million.

73. Legacy also represented another property on Bollinger Drive had a \$ 2.4 million first position loan, a \$835,000 second position loan to a junior lender, and an expected sale price of \$5.59 million. However, Legacy had already raised \$305,000 from ten other investors for the Bollinger Drive property, making its second position loan over \$1.2 million, and its total liabilities approximately \$3.54 million. As a result, Legacy reduced, and thereby misrepresented, the amount of liabilities tied to the properties and the risk associated with investing in the Beverly Hills Three Point Trust.

74. A reasonable investor would have understood from Legacy's Opportunity that the properties were encumbered as stated in the Opportunity and that they would be paid first after the senior and junior lender.

75. But Legacy's Opportunity was false and misleading. Legacy did not disclose to its investors the existence of all preexisting investments associated with the properties.

76. R. King knew or was reckless in not knowing, and should have known, that these statements were false and misleading because he was primarily responsible for overseeing the project files and Opportunities.

77. M. King and Trout should have known that these statements were false and misleading as they were regularly informed about the status of Legacy's project financing.

78. The statements regarding the preexisting interests already attached to Legacy's projects were material to Legacy's investors who were making investment decisions about whether to invest in Legacy and its projects.

D. Legacy and the Individual Defendants Omitted Material Information About Legacy's Compensation

79. Between November 2014 and November 2016, Legacy received over \$416,000 in ill-gotten gains in the form of "origination points" on some loans that it made using investor funds. By pocketing so-called origination points from pooled investor funds, Legacy was able to profit at the outset of some loans, even if the project later failed. Legacy received origination points not only on original loans, but also when certain projects were extended and had to be refinanced.

80. Legacy did not disclose this compensation to its investors, and it was contrary to the business plan that Legacy communicated to its investors.

81. Specifically, Legacy's Notes, Opportunities, Welcome Packages, SLTs, and other communications with investors explained that Legacy would use invested funds solely for investments in specific projects. None of these documents disclosed that Legacy itself would also sometimes receive origination points at the beginning of loans.

82. For example, in the case of a project in Palo Alto, Legacy made more than \$44,000 in origination points for three separate refinancings. The Individual Defendants also controlled the "borrower" for the project, which, in effect, resulted in Legacy charging its own investors a fee for the benefit of borrowing money for itself.

83. Information regarding Legacy's compensation was material to Legacy's investors. A reasonable investor would have wanted to know the true nature and timing of Legacy's

compensation, and the fact that it was paid – at the front-end of certain deals and refinancing agreements – a percentage of the total funds it raised.

84. Legacy and the Individual Defendants were negligent in omitting this material information in their Opportunities, Notes, and other communications with Legacy’s investors.

III. R. King and M. King Defrauded Investors through COV and Radiant

85. As Legacy’s business was deteriorating, R. King and M. King turned to COV and Radiant to raise additional funds. Through “Subscription Agreement” securities offerings, they deceived investors by misappropriating investor funds and making material misstatements that they would use investor funds on specific investment projects.

86. Contrary to representations to investors, R. King and M. King withdrew thousands of dollars from COV and Radiant’s bank accounts for their personal use and to use on unrelated, Legacy projects. From 2018 to 2019, R. King withdrew just over \$50,000 from COV and Radiant, while M. King withdrew over \$64,000 from COV.

87. R. King and M. King made numerous false and misleading statements regarding their intended uses of funds invested in COV and Radiant.

88. For example, in March 2018, M. King solicited Investor C to invest in COV and, specifically, a property located in Colorado Springs referred to as “Bella Vista.” On March 19, 2018, Investor C was emailed a “Welcome Package” for the COV investment and a “Project Summary” for the Bella Vista property stating that \$62,000 was needed to complete the Bella Vista project. Investor C then wired \$62,000 to Legacy’s escrow account.

89. On March 19, 2018, Investor C signed a Subscription Agreement with COV. The Agreement purported to provide Investor C with a “Class A Preferred” interest in COV, with an

interest of 12% annual on his investment, and “three points,” or \$3,720, paid up-front. The Subscription Agreement provided:

This is a private portfolio investment program. Colorado Ventures I, LLC manages private investments secured by real property or real estate loans secured by real property, in particular the ownership of the property located at [property address].”

90. A reasonable investor would have understood – and Investor C did understand – from the Agreement that the funds would be spent exclusively on the Bella Vista project.

91. In reality, M. King, R. King, and COV did not spend Investor C’s funds on the Bella Vista property. Instead, his funds were spent on a Legacy project in Palo Alto and otherwise transferred to Legacy’s main bank account for general Legacy expenses and personal use by M. King and R. King.

92. M. King and R. King knew or were reckless in not knowing, and should have known, that Investor C’s funds were intended to be spent exclusively on the Bella Vista property, and not on Legacy’s project in Palo Alto, Legacy’s expenses, or for their own use.

93. COV, R. King, and M. King eventually sold the Bella Vista property, but never paid Investor C his principal or the balance of the interest payments owed.

94. R. King and M. King also misled investors regarding their intended uses of funds invested in Radiant.

95. For example, in May 2019, R. King emailed Investor D and solicited him to invest in six properties in Colorado, two of which were portfolio properties for Radiant, and the other four of which were portfolio companies for COV. R. King emailed Investor D two-page summaries of each property. R. King told Investor D two of the six homes were already under contract, and that he was \$18,000 short in funding the renovation of on four properties. R. King represented to Investor D that he would receive a \$5,000 flat fee when each property sold, in

addition to returning Investor D's principal, and that Investor D would be paid first before any other investor.

96. Investor D signed Subscription Agreements with both Radiant and COV. As with Investor C, the Subscription Agreements specifically referenced the property addresses for which Investor D believed his funds would be allocated.

97. On May 15, 2019, Investor D wired \$6,000 to Radiant and \$12,000 to COV. Investor D understood that two of the projects were already under contract and he could expect payment for those projects, and that his funds would be used to finalize the remaining four projects.

98. But Radiant, R. King, and M. King's representations to Investor D that his funds would be spent on those projects, that two projects were already under contract, and that he would be paid \$5,000 for each project were false and misleading.

99. By mid-June 2019, Radiant had sold two of the properties referenced in the Subscription Agreement with Investor D, but did not make the promised payments to him. R. King, M. King, COV, and Radiant never returned Investor D's funds or paid him the profit he was promised for each property sale.

100. Although all of the purported COV and Radiant properties eventually sold, R. King and M. King never fully paid the promised returns to the investors in either COV or Radiant.

101. These statements to COV and Radiant investors were material. A reasonable investor would have wanted to know that the principals were misappropriating investor funds and using funds in a way that was inconsistent with their represented uses.

IV. Legacy, COV, and Radiant Offered Unregistered Securities

102. Legacy, COV, and Radiant offered and sold investments that are “securities” as defined in Section 2(a)(1) of the Securities Act and Section 3(a)(10) of the Exchange Act. [15 U.S.C. §§ 77b(a)(1).]

103. The securities offered and sold by Legacy, COV, and Radiant included the following:

- a. Legacy’s Notes, which were offered and sold to approximately 200 investors. These Notes are securities in the form of “notes” and “investment contracts” as they involved a pooled investment of money intended to generate passive profits for the investors to be derived solely from the efforts of Legacy and the Individual Defendants.
- b. COV’s Subscription Agreements, which were offered and sold to at least four investors. The Subscription Agreements are securities in the form of “notes” as they involved a pooled investment of money intended to generate passive profits for the investors to be derived solely from the efforts of COV, R. King and M. King; and
- c. Radiant’s Subscription Agreements, which were offered and sold to at least one investor. The Subscription Agreements are securities in the form of “notes” as they involved a pooled investment of money intended to generate passive profits for the investor to be derived solely from the efforts of Radiant, R. King and M. King.

104. None of the securities offerings were registered.

V. **Legacy's Securities Transactions Were Neither Registered Nor Exempt from Registration**

105. Sections 5(a) and (c) of the Securities Act, 15 U.S.C. § 77e(a) and (c), make it unlawful for any person, directly or indirectly, to use interstate commerce or the mails, to send a security unless a registration statement is in effect as to the security, or to offer to sell a security unless a registration statement has been filed as to such security. A registration statement is transaction specific. Each offer and sale of a security must either be made under a registration statement or fall under a registration exemption.

106. As detailed above, between 2014 and 2019, Legacy offered and sold securities in the form of Notes when no registration statement was filed or in effect for the transactions and no exemption from registration existed with respect to those securities offerings.

107. Each of the Individual Defendants were a necessary participant and substantial factor in Legacy's securities offerings. R. King is the President and a managing member of Legacy, M. King is a Vice-President and managing member of Legacy, and Trout was a Vice President and a managing member of Legacy, and Legacy is owned and controlled by the Individual Defendants. Each of the Individual Defendants executed Notes on behalf of Legacy, solicited investors on behalf of Legacy, and played a key role in Legacy's securities offerings and business. Without their efforts, Legacy would not have been able to offer unregistered securities to investors.

108. Legacy and the Individual Defendants offered and sold Legacy's securities using the means or instruments of interstate commerce, including, but not limited to, telephone and email.

VI. Legacy and the Individual Defendants Entered Into Tolling Agreements with the SEC Regarding Their Alleged Conduct

109. The alleged conduct, which form the basis of the SEC's claims, occurred between 2014 and 2019. The Defendants entered a tolling agreement with the SEC, which tolled the statute of limitations as follows: from Nov. 12, 2019 to July 14, 2021 as to Legacy and R. King; from Nov. 15, 2019 to July 14, 2021 as to M. King; and from Feb. 7, 2020 to July 14, 2021 as to Trout.

FIRST CLAIM FOR RELIEF
Violations of Section 5(a) and 5(c) of the Securities Act
(Against The Legacy Group, Inc., Randy R. King, Matthew B. King, and Andrea S. Trout)

110. The SEC re-alleges and incorporates by reference the allegations in paragraphs 1 through 109 above.

111. By virtue of the conduct alleged herein, Legacy, R. King, M. King, and Trout directly or indirectly (i) made use of means or instruments of transportation or communication in interstate commerce or of the mails to sell, through the use or medium of a prospectus or otherwise, securities as to which no registration statement was in effect and made use of means or instruments of transportation or communication in interstate commerce or of the mails to offer to sell or offer to buy, through the use or medium of a prospectus or otherwise, securities as to which no registration statement had been filed and no exemption was in effect.

112. By reason of the foregoing, Legacy, R. King, M. King, and Trout, have violated, and, unless restrained and enjoined, will continue to violate, Section 5(a) and (c) of the Securities Act [15 U.S.C. § 77e(a) and (c)].

SECOND CLAIM FOR RELIEF

Violations of Section 17(a)(1)

(Against The Legacy Group, Inc., Colorado Ventures I, LLC, Radiant Holdings, LLC, Randy R. King, and Matthew B. King)

113. The SEC re-alleges and incorporates by reference the allegations in paragraphs 1 through 109 above.

114. Legacy, R. King, M. King, COV, and Radiant, by engaging in the conduct set forth above, directly or indirectly, in the offer or sale of securities, by use of means or instrumentalities of interstate commerce or of the mails, with the requisite state of mind, knowingly and recklessly, employed devices, schemes, or artifices to defraud.

115. By reason of the foregoing, Legacy, R. King, M. King, COV, and Radiant have violated, and unless restrained and enjoined, will continue to violate Section 17(a)(1) of the Securities Act [15 U.S.C. § 77q(a)].

THIRD CLAIM FOR RELIEF

Violations of Section 17(a)(2) of the Securities Act

(Against The Legacy Group, Inc., Colorado Ventures I, LLC, Radiant Holdings, LLC, Randy R. King, and Matthew B. King)

116. The SEC re-alleges and incorporates by reference the allegations in paragraphs 1 through 109 above.

117. Legacy, R. King, M. King, COV, and Radiant, by engaging in the conduct set forth above, directly or indirectly, in the offer or sale of securities, by use of means or instrumentalities of interstate commerce or of the mails, with the requisite state of mind, knowingly and recklessly, obtained money or property by means of untrue statements of material fact or omissions to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.

118. By reason of the foregoing, Legacy, R. King, M. King, COV, and Radiant have violated, and unless restrained and enjoined, will continue to violate Section 17(a)(2) of the Securities Act [15 U.S.C. § 77q(a)].

FOURTH CLAIM FOR RELIEF
Violations of Section 17(a)(3) of the Securities Act
(Against all Defendants)

119. The SEC re-alleges and incorporates by reference the allegations in paragraphs 1 through 109 above.

120. Defendants, by engaging in the conduct set forth above, directly or indirectly, in the offer or sale of securities, by use of means or instrumentalities of interstate commerce or of the mails, with the requisite state of mind, negligently engaged in transactions, practices, or course of business which operated or would operate as fraud or deceit upon purchasers of securities.

121. By reason of the foregoing, the Defendants violated, and, unless restrained and enjoined, will continue to violate, Section 17(a)(3) of the Securities Act, 15 U.S.C. §§ 77q(a)(1) & 77q(a)(3).

FIFTH CLAIM FOR RELIEF
Violations of Section 10(b) of the Exchange Act and
Exchange Act Rule 10b-5
(Against The Legacy Group, Inc., Colorado Ventures I, LLC, Radiant Holdings,
LLC, Randy R. King, and Matthew B. King)

122. The SEC re-alleges and incorporates by reference the allegations in paragraphs 1 through 109 above.

123. R. King, M. King, Legacy, COV, and Radiant have, by engaging in the conduct set forth above, directly or indirectly, by use of mean or instrumentalities of interstate commerce, or of the mails, or of a facility or of a facility of a national security exchange, with scienter (a) employed devices, schemes, or artifices to defraud; (b) made untrue statements of material fact

or omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and/or (c) engages in acts, practices or courses of business which operated or would operate as fraud or deceit upon the persons, in connection with the purchase or sale of securities.

124. By reason of the foregoing, R. King, M. King, Legacy, COV, and Radiant violated, and unless restrained and enjoined, will continue to violate Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5(a), (b), and (c) thereunder [17 C.F.R. § 240.10b-5(a), (b), and (c)].

PRAYER FOR RELIEF

WHEREFORE, the SEC demands a jury trial on all issues triable to a jury and respectfully requests that this Court:

I.

Issue judgments, in forms consistent with Rule 65(d) of the Federal Rules of Civil Procedure, permanently enjoining:

- A. Defendants R. King, M. King, Trout, and Legacy from violating Sections 5(a), 5(c), and 17(a)(3) [15 U.S.C. § 77q(a)];
- B. Defendants Legacy, COV, Radiant, R. King, and M. King, from violating Sections 17(a)(1) and 17(a)(2) of the Securities Act [15 U.S.C. § 77q(a)] and Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5]; and
- C. Defendants R. King, M. King, and Trout from directly or indirectly, including, but not limited to, through any entity owned or controlled by them, soliciting any person or entity to purchase or sell any security in an unregistered offering by an

issuer, provided, however, that such injunction shall not prevent them from purchasing or selling securities for their own personal account(s).

II.

Order Legacy, R. King, M. King, and Trout to disgorge their ill-gotten gains derived from the activities alleged herein, together with prejudgment interest.

III.

Order R. King, M. King, and Trout to pay civil monetary penalties under Section 20(d) of the Securities Act [15 U.S.C. § 77t(d)] and/or Section 21(d)(3) of the Exchange Act [15 U.S.C. § 78u(d)(3)].

IV.

Retain jurisdiction of this action in accordance with the principles of equity and the Federal Rules of Civil Procedure in order to implement and carry out the terms of all orders and decrees that may be entered or to entertain any suitable application or motion for additional relief within the jurisdiction of this Court.

V.

Grant such other and further relief as this Court may determine to be just and necessary.

Dated: May 24, 2021

s/ Christopher E. Martin
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