

DISTRICT COURT, COUNTY OF ARAPAHOE, COLORADO  7325 S. Potomac Street Centennial, CO 80112	DATE FILED: April 12, 2018 3:18 PM FILING ID: 34D0C8756ABED CASE NUMBER: 2018CR1092
PEOPLE OF THE STATE OF COLORADO, Plaintiff,  v.  GARY JULE DRAGUL, DOB 05/07/1962, Defendant.	▲ COURT USE ONLY ▲
CYNTHIA H. COFFMAN, Attorney General DANIEL A. PIETRAGALLO, 41794 * Assistant Attorney General MICHAEL J. BELLIPANNI #24421 * Senior Assistant Attorney General 1300 Broadway, 9 <sup>th</sup> Floor Denver, CO 80203 (720) 508-6698; (720) 508-6699 *Counsel of Record	Case No.: 18CR1092  Div.: 407
<b>COLORADO STATE GRAND JURY INDICTMENT</b>	

- COUNT ONE: SECURITIES FRAUD, §§ 11-51-501(1)(b) and 11-51-603(1), C.R.S. (Class 3 Felony) {50052} {as to William and Adelyn Parker}
- COUNT TWO: SECURITIES FRAUD, §§ 11-51-501(1)(b) and 11-51-603(1), C.R.S. (Class 3 Felony) {50052} {as to William Parker, Jr.}
- COUNT THREE: SECURITIES FRAUD, §§ 11-51-501(1)(b) and 11-51-603(1), C.R.S. (Class 3 Felony) {50052} {as to Ray Webb Parker}
- COUNT FOUR: SECURITIES FRAUD, §§ 11-51-501(1)(b) and 11-51-603(1), C.R.S. (Class 3 Felony) {50052} {as to Marshall Parker}
- COUNT FIVE: SECURITIES FRAUD, §§ 11-51-501(1)(b) and 11-51-603(1), C.R.S. (Class 3 Felony) {50052} {as to Patricia Marks}

COUNT SIX: SECURITIES FRAUD, §§ 11-51-501(1)(b) and 11-51-603(1), C.R.S.  
(Class 3 Felony) {50052} {as to Chad and Kerri Miller}

COUNT SEVEN: SECURITIES FRAUD, §§ 11-51-501(1)(b) and 11-51-603(1), C.R.S.  
(Class 3 Felony) {50052} {as to William Detterer}

COUNT EIGHT: SECURITIES FRAUD, §§ 11-51-501(1)(b) and 11-51-603(1), C.R.S.  
(Class 3 Felony) {50052} {as to James and Susan Hess}

COUNT NINE: SECURITIES FRAUD, §§ 11-51-501(1)(c) and 11-51-603(1), C.R.S.  
(Class 3 Felony) {50053} {as to all investors}

DISTRICT COURT, CITY AND COUNTY OF DENVER, COLORADO  1437 Bannock Street Denver, CO 80202	
PEOPLE OF THE STATE OF COLORADO,  Plaintiff,  v.  <b>GARY JULE DRAGUL,</b> <b>DOB: 05/07/1962</b>  Defendant.	<p style="text-align: center;">▲ COURT USE ONLY ▲</p>
CYNTHIA H. COFFMAN, Attorney General DANIEL A. PIETRAGALLO #41794 * Assistant Attorney General MICHAEL J. BELLIPANNI #24421 * Senior Assistant Attorney General 1300 Broadway, 9 <sup>th</sup> Floor Denver, CO 80203 (720) 508-6000 * Counsel Of Record	Case No.: 2017CR001  Ct. Rm. 259
<b>COLORADO STATE GRAND JURY INDICTMENT</b>	

Of the 2017-2018 term of the City and County of Denver Court in the year 2018, the 2017-2018 Colorado State Grand Jurors, chosen, selected and sworn in the name and by the authority of the People of the State of Colorado, upon their oaths, present the following:

## ESSENTIAL FACTS

Gary Jule Dragul (hereinafter DRAGUL) is the president of and registered agent for GDA Real Estate Services, LLC, a Colorado company located in Arapahoe County. At all times relevant herein, DRAGUL managed GDA Real Estate Services, LLC (hereinafter referred to as GDA). GDA's primary business is to take investor money and derive profit from organizing and establishing limited liability companies (LLC's) that purchase and manage commercial shopping centers and other commercial real estate ventures. DRAGUL and GDA would offer investors membership interests in these LLC's, with the expectation that the investors would profit from the future stream of income, as well as the potential future appreciation of the property. Many of these investment opportunities resulted in significant losses to the investors.

In addition to selling membership interests in numerous LLC's, DRAGUL and GDA also offered investors promissory notes with varying interest rates and durations (typically between three and eighteen months). Most promissory notes were to be repaid over an eighteen month period at an interest rate of ten percent, with payments of interest only for the first six months, followed by twelve monthly payments of principle and interest. Despite being considered securities, which required registration with the Securities Exchange Commission and the Colorado Division of Securities, DRAGUL failed to register any of the promissory notes and was never licensed to sell securities.

As part of the investigation by the Colorado Division of Securities, DRAGUL and GDA provided copies of business records, including but not limited to: general ledgers, balance sheets, income statements, offering documents, emails, and copies of promissory notes. Based on a review of the GDA general ledger and other GDA business documents, it appears that GDA accrued millions of dollars in unsecured debt related to promissory notes issued in 2007 and 2008.

Based on a review of the GDA general ledger, DRAGUL raised significant capital through promissory notes issued in both 2007-2008 and 2013. Despite still owing over \$4,000,000 on the 2007-2008 promissory notes, DRAGUL and GDA failed to disclose this material fact when soliciting new promissory notes in 2013.

By December 31, 2012 GDA had a total outstanding debt that reflects negative equity of over \$8.7 million and a cash deficit of over \$290,000. This includes over \$4 million that was owed pursuant to unpaid overdue promissory notes issued by DRAGUL and GDA in 2007 and 2008. These unpaid notes and other financial issues became the subject of numerous lawsuits that were filed against DRAGUL and GDA, between 2011 and 2013. Despite these pending lawsuits and the substantial debt, DRAGUL and GDA failed to disclose such material information to investors when they offered additional promissory notes in 2013.

Additionally, DRAGUL and GDA incurred substantial investor debt and defaulted on several promissory notes, which ultimately led to them being named as Defendants in numerous civil law suits, including but not limited to the following:

- 2011CV2517 (Arapahoe County) – DRAGUL and GDA were sued by Laura Evans for two unpaid overdue promissory notes from 2008, which totaled \$200,000. On or about March 31, 2013 the parties entered into a confidential settlement agreement to resolve the case.
- 2012CV1317 (Arapahoe County) – DRAGUL and GDA were sued by Alan Fishman for an unpaid overdue promissory note for \$75,000, which was issued in 2008. At the time the lawsuit was filed on July 17, 2012, the complaint alleged that Mr. Fishman was still owed his entire principal amount of \$75,000 plus interest.
- 2012CV1869 (Arapahoe County) – DRAGUL and GDA were sued by First Citizens Bank and Trust Company for defaulting on promissory notes issued in 2007. At the time the lawsuit was filed on October 9, 2012, First Citizens sought payment from the following entities, in the following amounts:
  - Syracuse, LLC (a GDA company) defaulted on a promissory note in the amount of \$4.5 million dollars.
  - DRAGUL personally defaulted on a home equity line of credit and promissory note in the amount of \$1.33 million dollars.
  - GDA and MC Liquor 02, LLC defaulted on a promissory note in the amount of \$607,312.
  - DRAGUL personally guaranteed all of the above loans.
- 2013CV200319 (Arapahoe County) – DRAGUL and GDA were sued by their landlord “8301 East Prentice Avenue, LLC”, for eviction and possession of the property. The lawsuit alleged that DRAGUL and GDA failed to vacate the office space after their lease expired.
- 2013CV31341 (Arapahoe County) – DRAGUL and GDA were sued by Craig Evans for two unpaid overdue promissory notes from 2007 and 2008, which totaled \$100,000. At the time the lawsuit was filed on October 7, 2013, the complaint alleged that Mr. Evans was only repaid \$12,095.88.

Neither the lawsuits nor the status of the underlying promissory notes on which DRAGUL and GDA defaulted were disclosed to the victims named herein.

Beginning in January of 2013 and continuing through August of 2013, DRAGUL and GDA issued thirty-one (31) promissory notes to twenty-one (21) investors, which raised approximately \$2.4 million in new capital. The total amount of those promissory notes exceeded \$3 million, because DRAGUL and GDA rolled over prior investments into some of the new promissory notes.

Of those thirty-one promissory notes that were issued in 2013, only ten notes with five investors (Steven Kris, Eugene Risser, LEXICON, William Oehme, and Madelyn Buckwalter) were repaid consistent with their original terms. As of 2016, approximately twenty of the promissory notes were still unpaid and outstanding.

The promissory notes issued by DRAGUL and GDA constitute “securities” pursuant to § 11-51-201 (17) C.R.S. Accordingly, such investments are subject to the provisions of the Colorado Securities Act.

In soliciting the promissory notes, DRAGUL made material, untrue statements and omissions of material facts, including but not limited to the following:

- DRAGUL and GDA failed to disclose the actual risk associated with investments.
- DRAGUL and GDA failed to disclose the actual financial condition and substantial debt of GDA.
- DRAGUL failed to disclose to investors that GDA had negative equity of over \$8.5 million, including over \$4 million in unpaid overdue promissory notes that were issued in 2007 and 2008.
- DRAGUL and GDA did not disclose to investors that they were named as Defendants in numerous civil law suits for failing to timely repay other promissory notes.
- DRAGUL and GDA failed to disclose to investors that DRAGUL would use investor funds to pay for his personal expenses, including but not limited to payments to Las Vegas casinos, credit card companies, and liquor stores.
- DRAGUL and GDA failed to disclose that they would engage in the selective repayment of investors. Specifically, some of the 2013 promissory note investors were paid back consistent with the terms of their promissory notes, while DRAGUL and GDA withheld payments to other similarly situated investors.
- DRAGUL and GDA failed to disclose that DRAGUL would use investor funds to pay for travel using a private jet (SC Aviation 06, LLC)

In order to solicit the 2013 GDA promissory notes, DRAGUL used an unregistered promoter from North Carolina named Marlin Hershey to offer GDA promissory notes. Based on internal emails, GDA was desperately trying to raise additional operating capital to fund the business. Hershey approached several of the victims with offerings for GDA promissory notes. He represented that DRAGUL and GDA were very successful and that DRAGUL was worth millions of dollars. Hershey was paid a ten percent commission for finding investors for the GDA promissory notes. Hershey recruited a number of investors from Pennsylvania, North Carolina, Florida, and Texas. While most investors from Colorado were selectively repaid in full, DRAGUL and GDA stopped making payments to many out-of-state investors that were recruited by Marlin Hershey.

Additionally, DRAGUL and GDA engaged in a course of business that involved comingling funds from numerous LLC accounts in order to make payments related to GDA's operating costs. Specifically, a review of the general ledger, balance sheets, and emails indicates that DRAGUL was transferring money from various LLC's and listing the debt as notes payable to those entities in the GDA general ledger. This appears to be a regular business practice, as investigators found frequent emails (almost daily during the time period when promissory notes were being solicited) to DRAGUL advising him that he would need substantial capital to fund certain overdrawn account(s) and asking which other account(s) he would like to draw funds from.

DRAGUL also misappropriated investor funds for personal use by diverting substantial amounts of money to accounts held personally by him and his wife. An analysis of inflows for GDA between January 1, 2013 and August 30, 2013, shows that GDA solicited and received investor funds of over \$2.37 million dollars. During that same time period, an analysis of outflows for GDA shows that DRAGUL transferred a total of over \$3.8 million to his personal bank accounts and over \$2.1 million to his wife Shelly Dragul's personal bank accounts.

DRAGUL and GDA continued the acts, practices and course of business designed to defraud investors in and between January 1, 2013 and ending on or about August 30, 2013. After obtaining investor funds, DRAGUL and GDA continued to solicit, accept, and hold investor funds, knowing that they could not generate the promised returns. DRAGUL used investor funds to pay personal expenses and continued to make material misstatements and omissions to the investors after their initial investments. DRAGUL thereby induced investors to maintain their investments with him, and to make subsequent investments. These resulting business practices operated as a fraud or deceit upon DRAGUL and GDA's investors.

**COUNT ONE**

(Securities Fraud – F3)

C.R.S. §§ 11-51-501(1)(b) and 11-51-603(1) {as to William and Adelyn Parker}

On or about and between December 1, 2012 and January 16, 2013, with a date of discovery on or after August 30, 2013, in and triable in the State of Colorado, GARY JULE DRAGUL, in connection with the offer, sale, or purchase of any security to William and Adelyn Parker, directly or indirectly, unlawfully, feloniously, and willfully made an untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading, contrary to the form of the statutes in such case made and provided, C.R.S. §§ 11-51-501(1)(b) and 11-51-603(1) (Securities Fraud – Class 3 Felony), against the peace and dignity of the People of the State of Colorado.

**COUNT TWO:**

(Securities Fraud – F3)

C.R.S. §§ 11-51-501(1)(b) and 11-51-603(1) {as to William Parker, Jr.}

On or about and between December 1, 2012 and January 11, 2013, with a date of discovery on or after August 30, 2013, in and triable in the State of Colorado, GARY JULE DRAGUL (DRAGUL), in connection with the offer, sale, or purchase of any security to William Parker, Jr., directly or indirectly, unlawfully, feloniously, and willfully made an untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading, contrary to the form of the statutes in such case made and provided, C.R.S. §§ 11-51-501(1)(b) and 11-51-603(1) (Securities Fraud – Class 3 Felony), against the peace and dignity of the People of the State of Colorado.

**COUNT THREE**

(Securities Fraud – F3)

C.R.S. §§ 11-51-501(1)(b) and 11-51-603(1) {as to Ray Webb Parker}

On or about and between December 1, 2012 and January 11, 2013, with a date of discovery on or after August 30, 2013, in and triable in the State of Colorado, GARY JULE DRAGUL (DRAGUL), in connection with the offer, sale, or purchase of any security to Ray Webb Parker, directly or indirectly, unlawfully, feloniously, and willfully made an untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading, contrary to the form of the statutes in such case made and provided, C.R.S. §§ 11-51-501(1)(b) and 11-51-603(1) (Securities Fraud – Class 3 Felony), against the peace and dignity of the People of the State of Colorado.



**COUNT FOUR:**

(Securities Fraud – F3)

C.R.S. §§ 11-51-501(1)(b) and 11-51-603(1) {as to Marshall Parker}

On or about and between December 1, 2012 and January 11, 2013, with a date of discovery on or after August 30, 2013, in and triable in the State of Colorado, GARY JULE DRAGUL (DRAGUL), in connection with the offer, sale, or purchase of any security to Marshall Parker, directly or indirectly, unlawfully, feloniously, and willfully made an untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading, contrary to the form of the statutes in such case made and provided, C.R.S. §§ 11-51-501(1)(b) and 11-51-603(1) (Securities Fraud – Class 3 Felony), against the peace and dignity of the People of the State of Colorado.

**The Essential Facts and all other facts in support of the charges alleged herein are incorporated by reference. Additional facts in support of the offenses as set forth in Counts One through Four are as follows:**

1. The Parker family resides in Shelby, North Carolina and was introduced to GARY DRAGUL and GDA through Marlin Hershey. The Parkers also had other investments in GDA LLC's.
2. On or about January 7, 2013, William and Adelyn Parker invested \$200,000 in a promissory note with GDA. The Parkers rolled over \$100,000 from a prior investment and sent GDA a check for \$100,000 dated January 14, 2013.
3. On or about January 7, 2013, William Parker, Jr. invested \$50,000 in a promissory note with GDA. William Parker, Jr. sent GDA a check for \$50,000 dated January 10, 2013.
4. On or about January 7, 2013, Ray Webb Parker invested \$50,000 in a promissory note with GDA. Ray Webb Parker sent GDA a check for \$50,000 dated January 10, 2013.
5. On or about January 7, 2013, Marshall Parker invested \$50,000 in a promissory note with GDA. Marshall Parker sent GDA a check for \$50,000 dated January 10, 2013.
6. Each of the above-referenced promissory notes was to be repaid over an eighteen month period at an interest rate of ten percent, with payments of interest only for the first six months, followed by twelve monthly payments of principle and interest. Each loan was to be repaid in full, with interest, within eighteen months.

7. In reference to William and Adelyn Parker, DRAGUL and GDA issued interest payments for the first six months, but only issued six principal payments thereafter. It should be noted that those six payments were spread out between August of 2013 and November of 2014, indicating an inconsistent payment history. The Parkers have not been issued a payment by DRAGUL or GDA on the promissory note since November of 2014.
8. In total, the Parkers have only been repaid approximately \$111,856.03 from the initial promissory note investment of \$200,000 in 2013.
9. In reference to William Parker, Jr., Ray Webb Parker, and Marshall Parker, DRAGUL and GDA issued interest payments for the first six months, but only issued three principal payments thereafter. William Parker, Jr., Ray Webb Parker, and Marshall Parker have not been issued a payment by DRAGUL or GDA on any of their promissory notes since January of 2014.
10. In total, William Parker, Jr., Ray Webb Parker, and Marshall Parker have only been repaid approximately \$14,637.11 from each of their initial promissory note investments of \$50,000 in 2013.
11. In soliciting the promissory notes, DRAGUL and GDA made material, untrue statements and omissions of material facts, including but not limited to the following:
  - DRAGUL and GDA failed to disclose the actual risk associated with investments.
  - DRAGUL and GDA failed to disclose the actual financial condition and substantial debt of GDA.
  - DRAGUL failed to disclose to investors that GDA had negative equity of over \$8.5 million, including over \$4 million in unpaid overdue promissory notes that were issued in 2007 and 2008.
  - DRAGUL and GDA did not disclose to investors that they were named as Defendants in several civil law suits for failing to timely repay other promissory notes.
  - DRAGUL and GDA failed to disclose to investors that DRAGUL would use investor funds to pay for his personal expenses, including but not limited to payments to Las Vegas casinos, credit card companies, and liquor stores.
  - DRAGUL and GDA failed to disclose that they would engage in the selective repayment of investors.
  - DRAGUL and GDA failed to disclose that DRAGUL would use investor funds to pay for travel using a private jet (SC Aviation 06, LLC).

**COUNT FIVE:**

(Securities Fraud – F3)

C.R.S. §§ 11-51-501(1)(b) and 11-51-603(1) {as to Patricia Marks}

On or about and between January 1, 2013 and January 17, 2013, with a date of discovery on or after August 30, 2013, in and triable in the State of Colorado, GARY JULE DRAGUL (DRAGUL), in connection with the offer, sale, or purchase of any security to Patricia Marks, directly or indirectly, unlawfully, feloniously, and willfully made an untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading, contrary to the form of the statutes in such case made and provided, C.R.S. §§ 11-51-501(1)(b) and 11-51-603(1) (Securities Fraud – Class 3 Felony), against the peace and dignity of the People of the State of Colorado.

**The Essential Facts and all other facts in support of the charges alleged herein are incorporated by reference. Additional facts in support of the offenses as set forth in Count Five are as follows:**

12. Patricia Marks is a resident of Lancaster, Pennsylvania and was introduced to GARY DRAGUL and GDA through Marlin Hershey.
13. On or about January 11, 2013, Patricia Marks invested \$50,000 in a promissory note with DRAGUL and GDA. Ms. Marks sent GDA a check for \$50,000 dated January 15, 2013.
14. The above-referenced promissory note was to be repaid over an eighteen month period at an interest rate of ten percent, with payments of interest only for the first six months, followed by twelve monthly payments of principle and interest. The loan was to be repaid in full, with interest, within eighteen months.
15. Ms. Marks was told that her money would be invested in a Senor Frogs restaurant in Las Vegas. An analysis of the bank accounts in this case indicates that the money was transferred to DRAGUL's personal bank accounts and used for personal expenses.
16. DRAGUL and GDA issued interest payments for the first six months, but only issued four principal payments thereafter. Ms. Marks has not been issued any payments by DRAGUL or GDA on the promissory note since December of 2013.
17. In total, Ms. Marks has only been repaid approximately \$30,402.68 from her initial investment of \$50,000 in 2013.

18. In soliciting the promissory notes, DRAGUL and GDA made material, untrue statements and omissions of material facts, including but not limited to the following:

- DRAGUL and GDA failed to disclose the actual risk associated with investments.
- DRAGUL and GDA failed to disclose the actual financial condition and substantial debt of GDA.
- DRAGUL failed to disclose to investors that GDA had negative equity of over \$8.5 million, including over \$4 million in unpaid overdue promissory notes that were issued in 2007 and 2008.
- DRAGUL and GDA did not disclose to investors that they were named as Defendants in several civil law suits for failing to timely repay other promissory notes.
- DRAGUL and GDA failed to disclose to investors that DRAGUL would use investor funds to pay for his personal expenses, including but not limited to payments to Las Vegas casinos, credit card companies, and liquor stores.
- DRAGUL and GDA failed to disclose that they would engage in the selective repayment of investors.
- DRAGUL and GDA failed to disclose that DRAGUL would use investor funds to pay for travel using a private jet (SC Aviation 06, LLC).

**COUNT SIX:**

(Securities Fraud – F3)

C.R.S. §§ 11-51-501(1)(b) and 11-51-603(1) {as to Chad and Kerri Miller}

On or about and between January 1, 2013 and February 7, 2013, with a date of discovery on or after August 30, 2013, in and triable in the State of Colorado, GARY JULE DRAGUL, in connection with the offer, sale, or purchase of any security to Chad and Kerri Miller, directly or indirectly, unlawfully, feloniously, and willfully made an untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading, contrary to the form of the statutes in such case made and provided, C.R.S. §§ 11-51-501(1)(b) and 11-51-603(1) (Securities Fraud – Class 3 Felony), against the peace and dignity of the People of the State of Colorado.

**The Essential Facts and all other facts in support of the charges alleged herein are incorporated by reference. Additional facts in support of the offenses as set forth in Count Six are as follows:**

19. Chad and Kerri Miller are residents of Lancaster, Pennsylvania and were introduced to GARY DRAGUL and GDA through Marlin Hershey. The Millers also had other investments in GDA LLC's.

20. On or about January 17, 2013, Chad and Kerri Miller invested \$50,000 in a promissory note with DRAGUL and GDA. The Millers sent GDA a check for \$50,000 dated February 4, 2013.
21. The above-referenced promissory note was to be repaid over an eighteen month period at an interest rate of ten percent, with payments of interest only for the first six months, followed by twelve monthly payments of principle and interest. The loan was to be repaid in full, with interest, within eighteen months.
22. DRAGUL and GDA issued interest payments for the first six months, but only issued four principal payments thereafter. The Millers have not been issued a payment by DRAGUL or GDA on the promissory note since December of 2013.
23. In total, Chad and Karri Miller have only been repaid approximately \$19,856.96 from their initial investment of \$50,000 in 2013.
24. In soliciting the promissory notes, DRAGUL and GDA made material, untrue statements and omissions of material facts, including but not limited to the following:
  - DRAGUL and GDA failed to disclose the actual risk associated with investments.
  - DRAGUL and GDA failed to disclose the actual financial condition and substantial debt of GDA.
  - DRAGUL failed to disclose to investors that GDA had negative equity of over \$8.5 million, including over \$4 million in unpaid overdue promissory notes that were issued in 2007 and 2008.
  - DRAGUL and GDA did not disclose to investors that they were named as Defendants in several civil law suits for failing to timely repay other promissory notes.
  - DRAGUL and GDA failed to disclose to investors that DRAGUL would use investor funds to pay for his personal expenses, including but not limited to payments to Las Vegas casinos, credit card companies, and liquor stores.
  - DRAGUL and GDA failed to disclose that they would engage in the selective repayment of investors.
  - DRAGUL and GDA failed to disclose that DRAGUL would use investor funds to pay for travel using a private jet (SC Aviation 06, LLC).

**COUNT SEVEN:**

(Securities Fraud – F3)

C.R.S. §§ 11-51-501(1)(b) and 11-51-603(1) {as to William Detterer}

On or about and between February 7, 2013 and February 13, 2013, with a date of discovery on or after August 30, 2013, in and triable in the State of Colorado, GARY JULE DRAGUL, in connection with the offer, sale, or purchase of any security to William Detterer, directly or indirectly, unlawfully, feloniously, and willfully made an untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading, contrary to the form of the statutes in such case made and provided, C.R.S. §§ 11-51-501(1)(b) and 11-51-603(1) (Securities Fraud – Class 3 Felony), against the peace and dignity of the People of the State of Colorado.

**The Essential Facts and all other facts in support of the charges alleged herein are incorporated by reference. Additional facts in support of the offenses as set forth in Count Eight are as follows:**

25. William Detterer is a resident of Reading, Pennsylvania and was introduced to GARY DRAGUL and GDA through Marlin Hershey. Mr. Detterer also had other investments in GDA LLC's.
26. On or about February 7, 2013, William Detterer invested \$150,000 in a promissory note with DRAGUL and GDA. Mr. Detterer sent GDA a check for \$150,000 which was dated February 13, 2013.
27. The above-referenced promissory note was to be repaid over an eighteen month period at an interest rate of ten percent, with payments of interest only for the first six months, followed by twelve monthly payments of principle and interest. The loan was to be repaid in full, with interest, within eighteen months.
28. Mr. Detterer received interest payments for the first six months, but only received two payments thereafter. DRAGUL and GDA failed to make any additional principal payments after October of 2013.
29. As of late 2016, Mr. Detterer had only been repaid approximately \$31,391.71 from his initial investment of \$150,000 in 2013.
30. Mr. Detterer was forced to file a lawsuit against DRAGUL and GDA in 2015, in Arapahoe County (2015CV32922), for defaulting on the promissory note. DRAGUL and GDA agreed to settle the debt by paying \$121,000 in \$1,250 increments, over 96 months with no interest.

31. In soliciting the promissory notes, DRAGUL and GDA made material, untrue statements and omissions of material facts, including but not limited to the following:

- DRAGUL and GDA failed to disclose the actual risk associated with investments.
- DRAGUL and GDA failed to disclose the actual financial condition and substantial debt of GDA.
- DRAGUL failed to disclose to investors that GDA had negative equity of over \$8.5 million, including over \$4 million in unpaid overdue promissory notes that were issued in 2007 and 2008.
- DRAGUL and GDA did not disclose to investors that they were named as Defendants in several civil law suits for failing to timely repay other promissory notes.
- DRAGUL and GDA failed to disclose to investors that DRAGUL would use investor funds to pay for his personal expenses, including but not limited to payments to Las Vegas casinos, credit card companies, and liquor stores.
- DRAGUL and GDA failed to disclose that they would engage in the selective repayment of investors.
- DRAGUL and GDA failed to disclose that DRAGUL would use investor funds to pay for travel using a private jet (SC Aviation 06, LLC).

**COUNT EIGHT:**

(Securities Fraud – F3)

C.R.S. §§ 11-51-501(1)(b) and 11-51-603(1) {as to James and Susan Hess}

On or about and between March 5, 2013 and March 8, 2013, with a date of discovery on or after August 30, 2013, in and triable in the State of Colorado, GARY JULE DRAGUL, in connection with the offer, sale, or purchase of any security to James and Susan Hess, directly or indirectly, unlawfully, feloniously, and willfully made an untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading, contrary to the form of the statutes in such case made and provided, C.R.S. §§ 11-51-501(1)(b) and 11-51-603(1) (Securities Fraud – Class 3 Felony), against the peace and dignity of the People of the State of Colorado.

**The Essential Facts and all other facts in support of the charges alleged herein are incorporated by reference. Additional facts in support of the offenses as set forth in Count Nine are as follows:**

32. James and Susan Hess are residents of Lancaster, Pennsylvania and were introduced to GARY DRAGUL and GDA through Marlin Hershey. The Hess family also had other investments in GDA LLC's.

33. On or about March 5, 2013, James and Susan Hess invested \$75,000 in a promissory note with DRAGUL and GDA. James and Susan Hess rolled over \$44,656.05 from a previous investment and sent GDA two checks totaling \$30,343.95 that were dated March 8, 2013.
34. The above-referenced promissory note was to be repaid over an eighteen month period at an interest rate of ten percent, with payments of interest only for the first six months, followed by twelve monthly payments of principle and interest. The loan was to be repaid in full, with interest, within eighteen months.
35. DRAGUL and GDA issued interest payments for the first six months, but only issued one principal payment thereafter. DRAGUL and GDA have not issued any payment on this promissory note since October of 2013.
36. In total, James and Susan Hess have only been repaid approximately \$8,879.70 from their initial investment of \$50,000 in 2013.
37. In soliciting the promissory notes, DRAGUL and GDA made material, untrue statements and omissions of material facts, including but not limited to the following:
  - DRAGUL and GDA failed to disclose the actual risk associated with investments.
  - DRAGUL and GDA failed to disclose the actual financial condition and substantial debt of GDA.
  - DRAGUL failed to disclose to investors that GDA had negative equity of over \$8.5 million, including over \$4 million in unpaid overdue promissory notes that were issued in 2007 and 2008.
  - DRAGUL and GDA did not disclose to investors that they were named as Defendants in several civil law suits for failing to timely repay other promissory notes.
  - DRAGUL and GDA failed to disclose to investors that DRAGUL would use investor funds to pay for his personal expenses, including but not limited to payments to Las Vegas casinos, credit card companies, and liquor stores.
  - DRAGUL and GDA failed to disclose that they would engage in the selective repayment of investors.
  - DRAGUL and GDA failed to disclose that DRAGUL would use investor funds to pay for travel using a private jet (SC Aviation 06, LLC).



**COUNT NINE:**

(Securities Fraud – F3)

C.R.S. §§ 11-51-501(1)(c) and 11-51-603(1) {as to all investors}

On or about and between January 1, 2013 and August 30, 2013, with a date of discovery on or after August 30, 2013, in and triable in the State of Colorado, GARY JULE DRAGUL, in connection with the offer or sale of any security, directly or indirectly, unlawfully, feloniously, and willfully engaged in any course of business which operated or would have operated as fraud or deceit upon investors, including William and Adelyn Parker, William Parker, Jr., Ray Webb Parker, Marshall Parker, Patricia Marks, Chad and Kerri Miller, William Detterer, James and Susan Hess, Calvin Ewell, MSHR Inc., Jane Tennis, Eagle Group V, Linford Weaver, Nash Daswani, SC Advisors 7 LLC, Madelyn Buckwalter, and additional persons both known and unknown to the Grand Jury, contrary to the form of the statutes in such case made and provided, C.R.S. §§ 11-51-501(1)(c) and 11-51-603(1), and against the peace and dignity of the People of the State of Colorado.

**The Essential Facts and all other facts in support of the charges alleged herein are incorporated by reference. Additional facts in support of the offense as set forth in Count Nine are as follows:**

38. For approximately eight months, between January 1, 2013 and August 30, 2013, DRAGUL and GDA made numerous fraudulent sales of securities, based on materially false statements and omissions to the following investors: William and Adelyn Parker, William Parker, Jr., Ray Webb Parker, Marshall Parker, Patricia Marks, Chad and Kerri Miller, William Detterer, James and Susan Hess, Calvin Ewell, MSHR Inc., Jane Tennis, Eagle Group V, Linford Weaver, Nash Daswani, and SC Advisors 7 LLC.
39. In connection with the fraudulent sale of these securities, DRAGUL and GDA conducted business in Colorado.
40. The investments DRAGUL and GDA solicited directly or indirectly, in connection with this count, on and between January 1, 2013 and August 30, 2013, include one or more of the following:
  - a) William and Adelyn Parker, residents of Shelby, North Carolina, invested approximately two hundred thousand dollars (\$200,000.00) in a promissory note on or about January 7, 2013.
  - b) William Parker, Jr., a resident of Shelby, North Carolina, invested approximately fifty thousand dollars (\$50,000.00) in a GDA promissory note on or about January 7, 2013.
  - c) Ray Webb Parker, a resident of Shelby, North Carolina, invested approximately fifty thousand dollars (\$50,000.00) in a GDA promissory note on or about January 7, 2013.

- d) Marshall Parker, a resident of Shelby, North Carolina, invested approximately fifty thousand dollars (\$50,000.00) in a GDA promissory note on or about January 7, 2013.
- e) Patricia Marks, a resident of Lancaster, Pennsylvania invested approximately fifty thousand dollars (\$50,000.00) in a GDA promissory note on or about January 11, 2013.
- f) Chad and Kerri Miller, residents of Lancaster, Pennsylvania, invested approximately fifty thousand dollars (\$50,000.00), in a GDA promissory note on or about January 17, 2013.
- g) William Detterer, a resident of Lancaster, Pennsylvania, invested approximately one hundred and fifty thousand dollars (\$150,000) in a GDA promissory note on or about February 7, 2013.
- h) James and Susan Hess, residents of Lancaster, Pennsylvania, invested approximately seventy-five thousand hundred dollars (\$75,000) in a GDA promissory note on or about March 5, 2013.
- k) Calvin Ewell, a resident of East Earl, Pennsylvania, invested approximately two hundred thousand dollars (\$200,000) in a GDA promissory note on or about January 7, 2013.
- l) MSHR Inc., a company based in Huntersville, North Carolina, invested approximately one hundred and twenty-five thousand dollars (\$125,000.00) in two separate GDA promissory notes on or about January 7, 2013.
- m) Jane Tennis, a resident of Lititz, Pennsylvania, invested approximately one hundred and fifty thousand dollars (\$150,000) in a GDA promissory note on or about February 7, 2013.
- n) Eagle Group V (Eric Blow), a company based in Lititz, Pennsylvania, invested approximately fifty thousand dollars (\$50,000) in a GDA promissory note on or about March 15, 2013.
- o) Linford Weaver, a resident of East Earl, Pennsylvania, invested approximately two hundred thousand dollars (\$200,000.00) in two GDA promissory notes on or about June 10, 2014.
- p) Nash Daswani, a resident of Houston, Texas, invested approximately one hundred and twenty-five thousand dollars (\$125,000.00) in a GDA promissory note on or about April 24, 2013.
- q) SC Advisors 7 LLC, a company based in Fort Mill, South Carolina, invested approximately five hundred and fifty thousand dollars (\$550,000) in five separate GDA promissory notes between or about June 6, 2013 and June 24, 2013.

41. In connection with the fraudulent sale of these securities, DRAGUL and GDA engaged in a course of business which operated as a fraud, in part, by accepting funds into this investment scheme and failing to disclose material facts to investors prior to making their investments. The circumstances surrounding the sales, acts, practices and course of business engaged in by DRAGUL and GDA, including the untrue statements of material fact and failure to disclose, are described in the narrative of Essential Facts, and the paragraphs following Counts One through Eight, each of which are hereby incorporated by reference.
42. DRAGUL and GDA never told the investors of the true risks associated with the investments. DRAGUL and GDA made and maintained numerous untrue statements of material facts to these investors prior and subsequent to their investments with him. DRAGUL and GDA also failed to disclose material information to these investors. The investments remain unpaid and past due.
43. In addition to failing to disclose the actual financial condition of DRAGUL and GDA, as well as the actual risks associated with the GDA promissory note investments, DRAGUL and GDA engaged in a course of selective repayment. Colorado investors were also repaid, while many out-of-state investors stopped receiving any promissory note payments from DRAGUL and GDA.

CYNTHIA H. COFFMAN,  
ATTORNEY GENERAL

By:



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Daniel A. Pietragallo, Reg. No. 41794  
Assistant Attorney General  
Criminal Justice Section

The 2017 - 2018 State Grand Jury presents the within Indictment, and the same is hereby ORDERED FILED this 12<sup>th</sup> day of April, 2018.

Pursuant to C.R.S. 13-73-107, the Court hereby designates the County of Arconce County, Colorado, as the county of venue for the purposes of trial.



MICHAEL A. MARTINEZ  
Chief Judge, Second Judicial District