DISTRICT COURT, DENVER COUNTY, COLORADO 1437 Bannock Street Denver, CO 80202	DATE FILED November 4, 2026 9:57 AM FILING ID: F3A4090FAEC95 CASE NUMBER: 2026CV33951
TUNG CHAN, Securities Commissioner for the State of Colorado, Plaintiff, v. MICHAEL COLE, and SAGE INCOME LLC, Defendants.	**COURT USE ONLY**
PHILIP J. WEISER, Attorney General ROBERT W. FINKE, 40756* First Assistant Attorney General SARAH P.J. DONAHUE, 45212* Assistant Attorney General II MADISON C. FOX, 62323* Assistant Attorney General I Ralph L. Carr Judicial Building 1300 Broadway, 8th Floor Denver, CO 80203 Tel: (720) 508-6000 Fax: (720) 508-6037 Robert.Finke@coag.gov Sarah.Donahue@coag.gov Madison.Fox@coag.gov *Counsel of Record	Case No.: Courtroom:

COMPLAINT FOR INJUNCTIVE AND OTHER RELIEF

Plaintiff Tung Chan, Securities Commissioner for the State of Colorado ("Commissioner"), by and through her counsel, the Colorado Attorney General and undersigned counsel, alleges as follows in her *Complaint for Injunctive and Other Relief*:

JURISDICTION

1. The Commissioner is authorized to bring this action in which she may seek temporary, preliminary, and permanent injunctive relief, along with other equitable relief, against defendants upon sufficient evidence that defendants have engaged in or are about to engage in any act or practice constituting a violation of any provision of the Colorado Securities Act. § 11-51-602(1), C.R.S. Section 11-51-706(4), C.R.S. expressly provides that any violation of the Colorado Securities Act is deemed to constitute the transaction of business within this state, thereby conferring jurisdiction pursuant to § 13-1-124(1)(a), C.R.S.

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

DEFENDANTS

3. Defendant Michael Cole ("Cole") is a Colorado resident with a last known address of 2449 South Ellis Court, Lakewood, CO 80228. He is the sole member, President, and CEO of Defendant Sage Income LLC ("Sage"). Cole works as a radiologist.

4. Sage is a Colorado limited liability company formed on September 16, 2019. It is in delinquent standing. Its registered agent is Cole, and its registered address is 2449 South Ellis Court, Lakewood, CO 80228.

SUMMARY OF THE ACTION

5. Sage is a company which purportedly uses artificial intelligence ("AI") software to trade securities. Cole and Sage raised approximately $5.2 million through fourteen investors from November 2019 through January 2024.[1]

6. Sage issued promissory notes to investors in return for their investments. The details of the investments were often memorialized in Subscription Agreements and Confidential Private Placement Memoranda ("PPMs"). These notes promised returns ranging between 9 and 15 percent. These returns were promised on a monthly, quarterly, or annual basis. The term of the notes ranged from 24 to 60 months.

[1] Five of these investors were Colorado residents, whose investment totaled approximately $1.9 million. All transactions occurred while Cole and Sage were based in Colorado, and accordingly, must comply with the Colorado Securities Act.

7. Cole represented to investors that invested funds would be used to trade stock in a fund that Cole controlled.

8. Cole represented to investors that Sage used a proprietary algorithm to generate higher than market returns for investors. It is unknown whether there existed any actual investing software. Regardless, the promises to investors about the actual ability of the software, testing, success, and the promised use of proceeds for the software were flagrantly dishonest.

9. The algorithm was purportedly trained to detect when large firms placed large orders, and to front-run those orders before they were fully completed, thereby capturing the increased value in a stock from when the large trade began and ended.

10. The PPMs assured potential investors that the algorithm had been tested extensively through use in a previous fund, Cole Capital LLC ("Cole Capital"), where it generated two to six times the average annual returns of the major US stock market indexes.

11. To lull investors into keeping their funds with Sage and investing further, the Defendants manufactured quarterly reports to investors attesting to profit and growth in Sage accounts. These quarterly reports frequently claimed that the investors' investments had greatly outperformed the S&P 500 index, and in one instance even purported that they "outperform[ed] the S&P500 by approximately 29.4%!"

12. In reality, Sage had negative rates of return from November 2019 through December 2024.

13. In addition, while the PPMs promised, and investors were verbally told, that their funds would be invested using the battle-tested, profitable algorithm, Cole later admitted to investigators that the funds had instead been used to develop and train the software via trial and error.

14. Bank records also revealed that investor funds were used to pay interest to earlier note holders in a Ponzi-like scheme.

15. Records also showed proceeds were used to pay back an unrelated loan and were transferred back to Cole's personal account.

16. Defendants failed to disclose to investors that Sage credited (as a capital contribution) and therefore owed $1.3 million to prior Cole Capital investors and also failed to disclose that the debt was credited despite the fact that Sage

never actually received such a $1.3 million capital contribution from these prior investors or from Cole Capital prior to its dissolution.

17. Cole and Sage never paid investors the promised returns. Every investor experienced substantial losses ranging from $35,000 to over $2 million.

18. Cole never disclosed any risks related to transferring proceeds to pay off earlier investors and to pay off other loans and personal expenses, the investment strategies or the types of trades that would be placed in the accounts, or the equity ownership of non-capital contributing investors.

19. Cole is not licensed as a sales representative or an investment adviser representative, and Sage is not registered as an investment adviser or a broker dealer, none of which was disclosed to investors.

GENERAL ALLEGATIONS

I. Cole's Initial Solicitation of Investors in Cole Capital; Formation of Sage

20. In 2016, Cole founded Cole Capital, the predecessor to Sage. Cole described Cole Capital as a hedge fund, the purpose of which was "develop[ing] actively evolving AI investing technology capable of rapidly adapting its trading strategy in response to current market conditions."

21. Cole operated and controlled Cole Capital alongside three partners: B. Sharp (Cole's mother), A. Cole (Cole's brother), and D. Ellis.

22. Cole credited these partners with substantial investment in Cole Capital: B. Sharp at $978,900, D. Ellis at $320,000, and A. Cole at $16,581.

23. On September 16, 2019, Cole dissolved Cole Capital via debt instruments into the newly formed Sage. The stated purpose of Sage was "to engage in the development and utilization of proprietary AI software for analyzing and trading in U.S. capital markets, including equities, commodities, and derivative products such as futures and options."

24. Upon this dissolution, Cole credited B. Sharp, A. Cole, and D. Ellis with a debt interest in Sage of at least $1.3 million. Thus, Sage, from its outset, owed at least $1.3 million debt to Cole's mother, brother, and D. Ellis.

25. However, in reality, there were no deposits into any Sage bank account from any of the three partners, or from Cole Capital, to offset this debt taken on by Sage.

II. Cole's Solicitation of Sage Investors

26. In November 2019, Cole began soliciting investors for Sage.

27. Cole explained to potential investors that Sage used an algorithm to front-run larger trades from institutional firms. Cole explained that this worked because large trades are not executed all at once. Because a large buy order would in theory drive up demand for the shares by decreasing the supply, Sage's algorithm allowed it to buy shares at a low price and then sell after the price had increased (once the large institutional trade had been completed).

28. For example, if Schwab ordered one million shares, the Sage algorithm would detect the beginning of the order (perhaps one hundred shares) and buy the same shares before the large order was complete. Sage could then sell the shares at a higher price after the Schwab purchase of one million shares was complete.

29. Sage would thereby, in theory, capture the margin between the opening and closing price of those large orders.

30. Cole promised that investors would earn a high percentage rate of return on their initial investment.

31. In approximately October 2021, Defendants began executing subscription agreements with Sage investors, whereby investors agreed to purchase promissory notes with terms stated in PPMs. These agreements were a memorialization of each investor's prior investment, plus interest allegedly earned so far.

32. According to Cole, these PPMs replaced and voided all prior investor contracts as of the effective date of the PPM.

a. Defendants' promising statements entice initial investment.

33. The subscription agreements and PPMs made specific promises that investors relied upon in their decision to invest.

34. The PPMs stated that Sage was "in the business of developing and utilizing proprietary financial technology used for analyzing equity and commodity markets, active trading of US equities, and active trading of US equity and commodity futures contracts, as a proprietary trading company."

35. The PPMs described Cole Capital as the predecessor to Sage and stated that "throughout the 3 year period" of Cole Capital's existence, it "was a success and all proposed benchmarks were exceeded." Defendants never informed

any potential investors that Sage carried a debt load of at least $1.3 million owed to Cole's mother, brother, and D. Ellis. Nor did they inform any potential investors that Sage had not received any actual capital contributions from these individuals or from Cole Capital.

36. The PPMs stated that "[u]sing this advanced software, [Sage] anticipates significant market outperformance for years to come. Throughout its life with Cole Capital and from the historical and live performance of our technology over the past 20 years, we have demonstrated marked resilience against economic downturns, while generating two to six times the average annual returns of the major US stock market indexes."

37. The PPMs provided that "[t]he current core investment algorithms utilized by [Sage] actively trade over 500 US based companies, and typically complete several hundred trades every single day. Regardless of the direction of the overall market, the [Sage] algorithms and investment team are able to generate consistent positive returns every single month, allowing us to pay reliable fixed interest to our debt investors."

38. The subscription agreements stated that the investor agreed to purchase a certain number of promissory notes from Sage at a price of $1000 per note.

39. The PPMs each promised a rate of return ranging from 9 to 15 percent, and a maturity date ranging from 24 to 60 months, depending on the contract. They stated that the interest would be paid monthly, quarterly, or annually.

40. The PPMs stated that the funds Sage obtained from investors would be used "to develop and utilize proprietary financial technology used for analyzing equity and commodity markets, active trading of US equities, and active trading of US equity and commodity futures contracts, as a proprietary trading company." The PPMs further provided that 90 to 100 percent of investor funds would be used for "working capital"—money that would be invested in the market.

41. Investors uniformly report that Cole told them, and they believed, that their invested funds would be used to trade in Sage, and the algorithm would be applied to generate high returns on their investment "no matter how the market is performing."

42. The PPMs also stated that "[t]his Offering is being sold by the officers and directors of the Company, who will not receive any compensation for their efforts. No sales fees or commissions will be paid to such officers or directors."

43. However, Cole also informed at least one investor that he would keep any profits in excess of the investor's promised returns.

b. Defendants' continuing positive statements in quarterly reports and in conversations encourage further investment.

44. Beginning in January 2022, Defendants began issuing Quarterly Reports to Sage investors.

45. These reports contained further misrepresentations and material omissions designed to encourage additional investment, either through (a) investing more principal, or (b) re-investing the interest that their promissory notes had already allegedly earned.

46. Each report contained specific statements about that investor's earned interest, e.g.: "You have been an investor with Sage Income since 12/15/2019, and in total will have earned over $8,300 in interest income by the end of this year!"

47. The July 2022 quarterly report stated: "All of our investment strategies are designed to perform well during periods of economic growth, or recession – with stock markets going up, or going down. We are a direction neutral investment firm, meaning that the performance of the overall stock market and other markets has almost no relationship to the success of our investments. By way of comparison, the S&P 500 has been declining since December 2021 and was recently down about -24%. During the same roughly 6 month period, the total returns of the Sage Income investment strategies combined was approximately +12%. This is well ahead of schedule, with 6 more months left in the year to hit our annual target of 18%, which provides us with a safe margin to pay our investors after subtracting the cost of doing business."

48. The January 2023 quarterly report stated: "Sage Income exceeded all goals in 2022, and your account earned 10% (annualized) interest, outperforming the S&P500 by approximately 29.4%![2] For the first year ever, Sage Income transacted over $500 million in US equities while returning millions to investors! We expect to exceed 1 billion $ in transactions for 2023."

49. The July 2023 quarterly report stated: "[Sage] remains committed to utilizing cutting-edge AI tools to enhance our investment prowess. Our focus on innovation and staying at the forefront of technological advancements ensures that we can effectively navigate the intricate economic landscape and deliver value to

[2] These percentage figures were different for each investor, but Cole told each investor that their investments had greatly outperformed the S&P500 index.

our esteemed investors. With AI as our ally, we are poised to seize the opportunities that lie ahead and achieve continued success in the face of evolving market conditions."

50. The quarterly reports described Sage's investment strategy as "extremely diversified," "market direction neutral," and "adaptive."

51. Additionally, in an August 2023 email to investors with the subject "Understanding Investments – Education," Cole purported to provide educational information about investing concepts and to assure investors that "[u]nlike many financial institutions, we at Sage Income take pride in our transparency. We do not charge management fees, performance fees, or any other fees. Our commitment is to our investors, and we do not receive compensation, pay-outs, bonuses, or incentives from third parties for the investment choices we make."

52. Defendants continued to send these quarterly reports through October 2024.

53. Additionally, Cole encouraged investors to delay all interest payments until full maturity of the notes, and/or to reinvest earned interest. On information and belief, Cole made these encouragements to keep up a façade that Sage was performing well, and to avoid having to make payments to investors.

III. Defendants' statements contained numerous misrepresentations and omissions, and belied the reality that Sage suffered consistent losses, operated as a Ponzi-like scheme, and misappropriated investor funds.

54. Defendants never disclosed to investors that, from its inception, Sage owed an approximately $1.3 million debt to Cole's mother, brother, and D. Ellis. Defendants also failed to disclose that Sage never received a $1.3 million capital contribution from these three individuals.

55. Defendants never disclosed that Cole was not a registered sales representative nor an investment adviser representative and never disclosed that Sage was not a broker-dealer or investment adviser.

56. Despite promised high rates of return, all Sage investors lost money, and many lost their entire principal investment. *See supra* Section V.

57. Defendants falsely represented that Sage's algorithm had been historically successful in generating returns which far exceeded average stock market returns. In reality, the algorithm (if it existed) had no demonstrated success, and was in trial-and-error testing.

58. Furthermore, although Defendants told investors that Sage's algorithm was generating "consistent positive returns every single month," records indicate that throughout its operation, Sage's trading activity was consistently losing money.

59. From November 2019 through July 2020, Defendants deposited up to $1.2 million which included investor funds into a Dorman Trading account. However, by the time the account was closed in July 2020, only approximately $1,000 remained. Cole's trading decisions had squandered these investor funds, and he never disclosed this tremendous loss to future Sage investors.

60. Indeed, Dorman Trading account statements show losses every month from November 2019 through July 2020.

61. Beginning in July 2020, Defendants closed the Dorman Trading account and began using an Interactive Brokers account. The Interactive Brokers account similarly showed losses every month for 38 out of 48 months during the years 2021 through 2024.

62. These consistent and significant losses meant that any interest payments made to existing investors could not be funded by trading gains.

63. Defendants failed to disclose that the interest payments paid to investors were funded not by trading gains, but by cash injected into Sage either by Cole or by new investors in a Ponzi-like scheme.

64. Cole's internal notes reflect this reality. For example, in July 2024, Cole wrote a note to himself stating: "General account + incoming contributions = expected obligations. Not much buffer in the general expense account. Could draw up to 100k from [Interactive Brokers] live training/trading accounts if unexpected obligations without disrupting algorithm training."

65. Similarly, Cole's personal notes in October 2024 described Sage's cash flow as "extremely tight," that he was "[u]nable to pull funds from live training/trading accounts without disrupting algorithm learning," and that additional capital contribution might be necessary.

66. The flow of funds among Sage-affiliated accounts also shows that investors were only paid interest when Sage had an influx of cash from other individuals' investments. For example, in January 2021, Defendants used a portion of a $250,000 investment from M. Jesse to pay $137,453.86 in interest to existing investor P. Lowry.

67. In another example, when one large investor requested to receive "as much payment as possible from Sage" in October 2024, Cole wrote in a personal note that "[t]his would break most [of the investor's] note contracts, and jeopardize company viability if not offset by significant increase in algorithm performance, new debt, or IP sale/lease."

68. Records further indicate that funds in Sage's bank account were used to pay back a loan, and to pay Cole's personal account.

69. In direct contradiction to the PPMs and Cole's representations to investors that he would not be paid compensation from Sage as a result of their investments, bank records indicate that approximately $190,000 was transferred from Sage to Cole's personal account.

70. Defendants additionally failed to disclose that investor funds would be used to pay approximately $180,000 on a commercial loan that Sage had obtained from Deerwood Bank in December 2019.

IV. Cole Informs Investors that All Money is Lost

71. In early November 2024, Cole's personal notes reflect that he discovered an error impacting Sage's trading algorithm. On November 6, 2024, Cole noted that Sage's "[a]lgorithm exited position . . . taking significant losses of approximately 95% for the account." Cole wrote that he then "[s]hut down trading programs immediately . . . to prevent further losses."

72. In a November 21, 2024, email, Cole informed Sage investors of "an intermittent but significant error in a third party software that is used to estimate 'market price,' which is a critical data point used to train all of the investing/trading algorithms used by Sage." He stated that "Sage depends completely on its various automated trading algorithms to make all of its trading decisions" and "this means that intermittent but significant erroneous market price information has been unintentionally used for years to develop/train algorithms and make forward financial predictions." This resulted in "some serious financial difficulties" for Sage.

73. Cole's internal notes reflect that he decided to dissolve Sage and declare it bankrupt that same day.

74. However, four days later, Cole sent another email telling investors that that there was a "third-party mispricing issue" which "may or may not affect performance" and was "a hypothetical scenario rather than a confirmed factor." Cole stated that was now "prioritizing [Sage's] essential operations and reducing non-critical expenses."

75. Four days later, Cole told investors via email that "over the past year [the third party software provider] seems to have operated as it was designed to," that Sage's "risk management system was active and to thresholds were exceeded that would have triggered any intervention," and that Cole did "not see anything suggesting a bug or error in any of these automated systems."

76. Thus, even after deciding to dissolve Sage, Cole continued to represent to investors that Sage's financial situation was not as dire as it truly was.

77. Sage ultimately filed for bankruptcy in February 2025.

V. Detail Regarding Sage Investors

a. Derek Keen

78. Keen resides in Fort Collins, Colorado, and initially invested $50,000 in Sage on November 4, 2019.

79. On December 14, 2021, Keen executed subscription agreement and incorporated PPM stating that he agreed to invest $63,000 for 63 notes in Sage. Keen's investment represented a combination of "all prior loans and all earned but unpaid interest into new loan ($13,000 capitalized interest)."

80. The subscription agreement promised a 12 percent annual rate of return, paid annually, and a maturity date of 48 months.

81. Cole's personal notes indicate that Keen "preferred to defer interest payments until the full maturity of the Note."

82. Upon information and belief, Keen never received any payments from Sage, and his principal investment was never returned.

83. In sum, Keen invested $50,000 in Sage and received no promised returns.

b. Chelsea Marshall

84. Marshall resides in Denver, Colorado, and invested a total of $224,000 in Sage: $55,000 on November 4, 2019; $120,000 on July 15, 2020; and $49,000 on December 31, 2021.

85. From December 2019 to December 2021, Sage paid Marshall a total of $17,575.39 in interest.

86. On January 1, 2022, Marshall executed a subscription agreement and incorporated PPM stating that she agreed to invest $250,000 for 250 notes in Sage. Marshall's investment represented a combination of "any prior loans and all earned but unpaid interest into new loan."

87. The subscription agreement promised a 15 percent annual rate of return, paid annually, with a maturity date of 48 months.

88. Cole's personal notes indicate that Marshall requested that interest payments on the note be deferred until the full maturity of the note.

89. Upon information and belief, Marshall did not receive any further payments from Sage, and her principal investment was never returned.

90. In sum, Marshall invested $224,000 in Sage and received only $17,575.39 in returns.

c. Brenda Sharp and Charles Cole (Cole's parents)

91. Sharp and C. Cole are Cole's parents, and reside in Loveland, Colorado.

92. Around the time of Sharp's first investment in Sage in 2020, Cole told her that Sage was doing "excellent." He told her that he had been developing this algorithm for more than ten years, and that while there were both losses and gains, the gains significantly outweighed the losses.

93. On December 15, 2021, Sharp and Cole executed two subscription agreements, each with an incorporated PPM. The first stated that Sharp would invest $720,000 in 720 promissory notes, and that the notes would have a 10 percent rate of return, paid monthly. The second stated Sharp would invest $897,000 for 897 promissory notes, and that the notes would have a 10 percent rate of return, paid annually. Both PPMs provided a maturity date of 48 months, and stated the offerings were to commence on January 1, 2022.

94. Although the second PPM indicated that interest would be paid annually, Sharp told Cole that she preferred interest not be paid until maturity of the note.

95. From February through November 2020, they invested approximately $646,002.30 into Sage. From August 2019 through July 2022, they received approximately $341,906.31 in returns from Sage.

d. Alex Cole (Cole's brother)

96. A. Cole resides in Loveland, Colorado and is Cole's brother. He invested $60,000 in Sage: $30,000 on November 20, 2020, and $30,000 on November 30, 2021.

97. On December 18, 2021, A. Cole executed a subscription agreement with an incorporated PPM stating that A. Cole agreed to invest $83,000 for 83 promissory notes in Sage. This amount "combined all prior loans and earned but unpaid interest into [a] new loan."

98. The subscription agreement promised a 10 percent rate of return, paid annually, and a maturity date of 48 months.

99. Cole's personal notes indicate that A. Cole requested that interest payments on the note be deferred until the full maturity of the note.

100. On October 2, 2023, A. Cole requested that his interest instead be paid monthly, beginning in February 2024. Sage subsequently made ten monthly payments to A. Cole February to November 2024 totaling $15,000.

101. In sum, A. Cole invested $60,000 in Sage and received only $15,000 in returns.

e. Dennis Ellis

102. D. Ellis (now deceased) previously resided in Maryville, Missouri. Grace Ellis and Hannah Ellis are Dennis Ellis's daughters and his beneficiaries. Grace Ellis resides in Vancouver, Washington. Hannah Ellis resides in Parker, Colorado.

103. D. Ellis invested $300,000 in Sage in March 2021.

104. On October 25, 2022, D. Ellis executed a subscription agreement with an incorporated PPM stating that D. Ellis agreed to invest $286,000 for 286 promissory notes in Sage. The PPM provided a 9 percent annual rate of return, paid quarterly, and a maturity date of 38 months.

105. Between January 2020 and July 2024, Sage made thirty-six payments to D. Ellis and his beneficiaries totaling $163,275.96.

106. In total, D. Ellis and his beneficiaries invested $300,000 in Sage and received only $163,275.96 in return.

f. Dr. Peter Lowry

107. Lowry is a radiologist and previously supervised Cole when Cole was a medical resident. Lowry and Cole began discussing finances generally in approximately 2015.

108. Lowry currently resides in Belton, Texas, but resided in Denver, Colorado when he invested in Sage.

109. Cole promised Lowry a fixed 15 percent annual rate of return and stated that Cole would keep any returns above 15 percent.

110. Cole presented the Sage investment to Lowry as a "family and friends" opportunity. Lowry decided to invest his retirement funds into Sage based on an understanding that Cole and Cole's family members had also invested in Sage.

111. Lowry initially invested $625,000 in Sage: $50,000 in February 2020, $75,000 in August 2020, and $500,000 in December 2020.

112. However, in January through April 2021, Sage returned $400,000 of Lowry's investment and paid him $12,453.86 in interest.

113. On December 20, 2021, Lowry executed a subscription agreement with an incorporated PPM stating that Lowry agreed to invest $277,000 for 277 notes in Sage. This amount "combined all prior loans and earned but unpaid interest into [a] new loan."

114. The subscription agreement promised a 15 percent annual rate of return, paid annually, and a maturity date of 48 months.

115. On January 17, 2021, and again on March 21, 2024, Lowry requested that all loaned funds be returned to him. Cole informed Lowry that he could not return the funds but would "look into any possible solutions… considering all factors."

116. Lowry received two payments from Sage in January 2021 totaling $83,100.

117. In total, Lowry invested $625,000 into Sage and received approximately $495,553.86.

g. Dr. Mary Jesse

118. Dr. Mary Jesse is also a radiologist and is married to Lowry. She currently resides in Belton, Texas, but resided in Denver, Colorado when she invested in Sage.

119. Jesse decided to invest her retirement funds into Sage based on an understanding that Cole and Cole's family members had also invested in Sage.

120. Jesse invested $250,000 in Sage on January 15, 2021.

121. On December 15, 2021, Jesse executed a subscription agreement and incorporated PPM stating that she agreed to invest $286,000 for 286 notes in Sage. This represented the $250,000 invested, plus interest earned but unpaid to date.

122. The subscription agreement promised a 15 percent annual rate of return, paid annually, and a maturity date of 48 months.

123. Jesse received two interest payments in January 2023 and January 2024 totaling $85,800.

124. In total, Jesse invested $250,000 in Sage and received $85,800 in returns.

h. Dr. Orlando Micheli and ROC Imaging Services, LLC

125. Micheli is also a radiologist and met Cole in late 2019 through Lowry, a mutual acquaintance and colleague. Micheli resides in Yuma, Arizona, and is the sole member and manager of ROC Imaging Services, LLC ("ROC").

126. In late 2019, Cole represented to Micheli that he was an expert in algorithmic trading, had previously worked in the field, and had access to superior market intelligence. Cole represented that he had created proprietary software which allowed Sage to trade successfully while significantly mitigating risk.

127. In late 2019 or early 2020, Cole pitched Micheli on an opportunity to invest in Sage in exchange for a 15 percent fixed annual return, with little to no downside risk. Cole represented that Sage had generated annual returns ranging from 30 to 40 percent.

128. In February through May 2020, ROC transferred $450,000 to Sage.

129. On May 14, 2020, Micheli executed a "Business Investment Loan Contract" whereby ROC agreed to provide Sage with a $150,000 investment in exchange for "fixed interest" of 14 percent annually, to be paid upon termination of

the contract on May 15, 2023. The contract stated that the funds would be used "as Capital Investment" in Sage's "operations relating to its engagement of the business and developing and utilizing proprietary financial technology designed to invest in numerous large capitalization corporations, through various methods, including the buying and selling of US futures contracts." The contract provided that Sage would return the original $150,000 investment within 30 days of contract termination.

130. From July 2020 through December 2021, Micheli and ROC transferred an additional $750,000 to Sage.

131. On December 12, 2021, Micheli executed a subscription agreement and incorporated PPM stating that he agreed to invest $1,452,000 for 1452 notes in Sage. This agreement purportedly "combined all prior loans and all earned but unpaid interest into [a] new loan."

132. The subscription agreement promised a 15 percent annual rate of return, paid annually, with a maturity date of 48 months. Cole's personal notes indicate that Micheli separately requested that the interest pursuant to the subscription agreement not be paid until the maturity date.

133. In August 2022, ROC transferred an additional $250,000 to Sage.

134. On August 30, 2022, Micheli executed a second subscription agreement and incorporated PPM stating that he agreed to invest $250,000 for 250 notes in Sage.

135. The second subscription agreement promised a 15 percent annual rate of return, paid annually, with a maturity date of 39 months. Cole's personal notes indicate that Micheli separately requested that the interest pursuant to the second subscription agreement not be paid until the maturity date.

136. In December 2022, Micheli transferred an additional $350,000 to Sage.

137. On December 14, 2022, Micheli executed a third subscription agreement and incorporated PPM stating that he agreed to invest $350,000 for 350 notes in Sage.

138. The third subscription agreement promised a 14.05 percent annual rate of return, paid annually, with a maturity date of 24 months. Cole's personal notes indicate that Micheli separately requested that the interest pursuant to the second subscription agreement not be paid until the maturity date.

139. In December 2023, Jesse transferred $285,000 to Sage on Micheli's behalf. Cole's personal notes from that time stated that the money was provided "on

behalf of ROC Imaging Services with the verbal understanding that [Micheli] wished to invest it with Sage Income, but that he would need it at some point for an expected upcoming real estate transaction." Cole noted at the time that while he was not putting a contract in place "without knowing the timeline," Cole "verbally offered to add the funds to the main sage trading account and consider interest to be accruing," until Cole heard from Micheli "about a specific timeline."

140. Also in December 2023, Micheli told Cole that he had decided to terminate his Sage investments. Cole discouraged Micheli from doing so, saying that there would be penalties and trading losses if Micheli removed the money prior to the maturity dates. Cole further promised Micheli ownership shares in Sage and claimed that he was planning to take the company public.

141. Micheli subsequently decided to remain invested until December 2024, when the loans matured.

142. Cole wrote a personal note in October 2024 acknowledging that Micheli had "requested to receive as much payment as possible from Sage in q4" and that "[t]his would break most ROC note contracts, and jeopardize company viability if not offset by significant increase in algorithm performance, new debt, or IP sale/lease."

143. On November 21, 2024, Micheli reminded Cole that he would not be reinvesting and that he wanted his money back upon the December 2024 maturity date.

144. Later that day, Cole notified investors of the major error in the trading software and loss of investor funds.

145. Micheli asked Cole to withdraw all of his funds immediately.

146. On May 29, 2025, Micheli and ROC filed a lawsuit against Cole in Arizona state court, alleging securities fraud, racketeering, and other claims. It remains pending.

147. In total, approximately $2,085,000 was invested in Sage by Micheli and ROC or on their behalf. Micheli and ROC received zero returns on this investment.

i. Dr. Mari Freedberg

148. Freedberg resides in Murray, Utah. She and Cole were friends prior to her investment in Sage.

149. Freedberg told Cole she was looking for someone to help her manage some of her money. Cole then told Freedberg about the Sage investment opportunity. Cole told Freedberg that he could guarantee a 12 percent yearly return, no matter how the market was performing, because the algorithm would figure out what to invest in and how much.

150. Cole represented that Sage was doing well for other investors and was making money.

151. Based upon these representations, in July 2020, Freedberg invested a total of $35,000 in Sage.

152. On December 26, 2021, Freedberg executed a subscription agreement and incorporated PPM stating that she agreed to invest $39,000 for 39 notes in Sage. This agreement purportedly combined all prior loans, and all earned but unpaid interest into a new loan.

153. The subscription agreement promised a 12 percent annual rate of return, to be paid annually, with a maturity date of 48 months.

154. Freedberg stated in an interview with a Colorado Division of Securities ("Division") investigator that she chose not to receive periodic payments on the note, and to instead receive all payments on the maturity date as a lump sum. She made this choice because Cole told her that if she kept all the money in the fund, it would compound and generate more income in the long run.

155. Freedberg also stated in the interview that if she had known that her funds were used for other purposes and not for investing, she would not have invested.

156. In total, Freedberg invested $35,000 in Sage and never received anything in return.

j. James Cole (Cole's half-brother)

157. J. Cole resides in Cincinnati, Ohio and is Cole's half-brother.

158. In 2022, J. Cole spoke with Cole about Sage. Cole told J. Cole that he had placed all of his investable cash into Sage, and that their father and Cole's mother had also invested in Sage.

159. However, Cole did not disclose that Sage had sustained losses prior to J. Cole's initial investment in August 2022.

160. In August 2022, J. Cole transferred $400,000 to Sage.

161. On August 28, 2022, J. Cole executed a subscription agreement and incorporated PPM stating that he agreed to invest $400,000 for 400 notes in Sage. The subscription agreement promised a 14 percent annual rate of return, to be paid monthly, with a maturity date of 60 months.

162. From September 2022 through January 2023, pursuant to the subscription agreement, Sage paid J. Cole monthly interest payments totaling $18,666.68.

163. In January 2023, J. Cole transferred an additional $100,000 to Sage.

164. In April 2023, Sage paid J. Cole $16,333.35 in interest.

165. On April 17, 2023, James Cole executed the second subscription agreement and incorporated PPM stating that he agreed to invest $100,000 for 100 notes in Sage. The subscription agreement promised a 14 percent annual rate of return, to be paid quarterly, with a maturity date of 60 months.

166. In July and October 2023, pursuant to the second subscription agreement, Sage paid J. Cole two interest payments totaling $35,000.

167. In January 2024, J. Cole transferred an additional $100,000 to Sage.

168. On February 26, 2024, J. Cole executed the third subscription agreement and incorporated PPM stating that he agreed to invest $117,000 for 117 notes Sage. This amount encompassed the recent $100,000 investment, plus $17,000 of unpaid interest.

169. The third subscription agreement promised a 14 percent annual rate of return, to be paid quarterly, with a maturity date of 36 months.

170. In February and July 2024, Sage paid J. Cole a total of $1000.

171. J. Cole stated in an interview with a Division investigator that he was unaware that Sage had ever sustained any losses. Had such information been shared with him, he would have been more cautious about investing in Sage.

172. In sum, J. Cole invested a total of $600,000 in Sage and received only $71,000 in return.

k. Jean Powell

173. Powell resides in Portland, Oregon.

174. On October 23, 2022, Powell executed a subscription agreement and incorporated PPM stating that she agreed to invest $40,000 for 40 notes in Sage. The subscription agreement promised a 13 percent annual rate of return, paid annually, with a maturity date of 24 months.

175. In December 2022, pursuant to the subscription agreement, Powell transferred $40,000 to Sage.

176. Powell chose not to receive any dividend payments until the maturity date.

177. Powell never received any payments from Sage.

l. Dr. David Lopresti

178. Lopresti currently lives in Las Cruces, New Mexico. He met Cole in 2012 when they worked at the same hospital in Denver, Colorado.

179. Lopresti heard about Sage through mutual friend Micheli in 2022 and spoke with Cole about the investment opportunity.

180. Cole told Lopresti that through use of Sage's trading algorithm, Sage could guarantee a 13.5 percent interest rate, paid quarterly, over a two-year period. Cole further assured Lopresti that all the trades that he places are safe and monitored by the SEC.

181. Based upon these representations, on January 10, 2023, Lopresti and Mindy Lopresti executed a subscription agreement and incorporated PPM stating that the Lopresti Family Trust[3] agreed to invest $300,000 for 300 notes in Sage. The subscription agreement promised a 13.5 percent annual rate of return, paid quarterly, and a maturity date of 24 months.

182. Pursuant to the subscription agreement, Lopresti transferred $300,000 to Sage in January 2023.

183. From April 2023 through October 2024, pursuant to the subscription agreement, Sage made eight interest payments to the Lopresti Family Trust totaling $81,000.

184. In sum, the Lopresti Family Trust invested $300,000 in Sage and received only $81,000 in return.

[3] The Lopresti Family Trust is based in Draper, Utah.

FIRST CLAIM FOR RELIEF
(Securities Fraud – Section 11-51-501(1), C.R.S.)

185. Paragraphs 1 through 184 are incorporated herein by reference.

186. In connection with offer, sale, or purchase of securities in Colorado, the Defendants, directly or indirectly made untrue written and oral statements of material facts and/ or omitted material facts necessary to make the statements made, in light of the circumstances under which they were made, not misleading; in violation of section 11-51-501(1), C.R.S.

187. Defendants made the following misrepresentations:

a. Defendants told investors that invested funds would be used to trade in the market using Sage's proprietary and tested algorithm. In reality, any trading algorithm used by Defendants was not proven to work and did not have a demonstrated history of success.

b. Defendants told investors that their funds would be invested into the market. In reality, Defendants also used invested funds to pay other investors, to pay Cole's personal account, and to pay back a loan.

c. Defendants told investors that they were guaranteed high returns. In reality, no Sage investor received the promised returns, and many lost their entire investment.

d. Defendants told investors that Sage trading accounts were doing well and consistently outperforming the market. In reality, these accounts were consistently losing value.

188. Additionally, Defendants made the following omissions:

a. Defendants failed to disclose that, from its inception, Sage owed approximately $1.3 million in debt to Cole's mother, brother, and D. Ellis, and failed to disclose that Sage never actually received $1.3 million in benefit from these three individuals.

b. Defendants failed to disclose that Sage's trading accounts were consistently losing value.

c. Defendants failed to disclose that investor funds were being used to pay back a bank loan.

d. Defendants failed to disclose that investor funds would be used

to pay interest to new investors.

e. Despite representing in the PPMs and in communications to investors that Cole would not be paid compensation from Sage as a result of their investments, Defendants failed to disclose that Sage transferred approximately $190,000 to Cole's personal account.

f. Defendants failed to disclose that Cole was not a registered sales representative or investment adviser representative.

g. Defendants failed to disclose that Sage was not a broker-dealer or investment adviser.

h. Defendants failed to disclose any risks specifically related to trading options and futures, such as the potential for substantial losses, the possibility of margin calls, liquidity risks, and market volatility risks.

189. Because Defendants violated section 11-51-501(1), C.R.S., Defendants are liable to the Commissioner for damages under sections 11-51-604(3), 604(4), and 604(5)(a), C.R.S., by operation of section 11-51-602(2), C.R.S.

190. The Commissioner is entitled to an award of damages, interest, costs, and attorney's fees, restitution, disgorgement and other equitable relief on behalf of persons injured by the conduct of Defendants pursuant to sections 11-51-602(2), 604(3), 604(4), and 604(5)(a), C.R.S.

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

SECOND CLAIM FOR RELIEF
(Securities Fraud – Section 11-51-501(5), C.R.S.)

192. Paragraphs 1 through 191 are incorporated herein by reference.

193. Defendants received, directly or indirectly, consideration from other persons for advising such persons as to the value of securities or of any purchase or sale thereof, and made untrue statements of material fact to a client or prospective client or omitted to state to a client or prospective client a material fact necessary to make the statement made, in light of the circumstances under which they were

made, not misleading, during the solicitation of such client or otherwise in connection with providing investment advisory services; all in violation of section 11-51-501(5), C.R.S.

194. Defendants received compensation from investors in exchange for investment advice. In particular, Cole transferred approximately $190,000 from Sage's account to his personal account, and Cole told at least one investor that he would retain any generated trading profits in excess of the promised investor return of 15 percent.

195. In connection with the receipt of this compensation for the provision of investment advisory services, Defendants made the following misrepresentations:

a. Defendants told investors that invested funds would be used to trade in the market using Sage's proprietary and tested algorithm. In reality, any trading algorithm used by Defendants was not proven to work and did not have a demonstrated history of success.

b. Defendants told investors that their funds would be invested into the market. In reality, Defendants also used invested funds to pay other investors, to pay Cole's personal account, and to pay back a loan.

c. Defendants told investors that they were guaranteed high returns. In reality, no Sage investor received the promised returns, and many lost their entire investment.

d. Defendants told investors that Sage trading accounts were doing well and consistently outperforming the market. In reality, these accounts were consistently losing value.

196. Additionally, Defendants made the following omissions:

a. Defendants failed to disclose that, from its inception, Sage owed approximately $1.3 million in debt to Cole's mother, brother, and D. Ellis, and failed to disclose that Sage never actually received $1.3 million in benefit from these three individuals.

b. Defendants failed to disclose that Sage's trading accounts were consistently losing value.

c. Defendants failed to disclose that investor funds were being used to pay back a bank loan.

d. Defendants failed to disclose that investor funds would be used

to pay interest to new investors.

e. Despite representing in the PPMs and in communications to investors that Cole would not be paid compensation from Sage as a result of their investments, Defendants failed to disclose that Sage transferred approximately $190,000 to Cole's personal account.

f. Defendants failed to disclose that Cole was not a registered sales representative or investment adviser representative.

g. Defendants failed to disclose that Sage was not a broker-dealer or investment adviser.

h. Defendants failed to disclose any risks specifically related to trading options and futures, such as the potential for substantial losses, the possibility of margin calls, liquidity risks, and market volatility risks.

197. Investors entrusted their money to Defendants based upon Defendants' representations that Cole was an expert investor and would make wise investment decisions in where to invest their money.

198. Because Defendants received consideration from investors in exchange for investment advisement, Defendants violated section 11-51-501(5), C.R.S. by acting or failing to act in the ways described in this Complaint.

199. Because Defendants violated section 11-51-501(5), C.R.S., Defendants are liable to the Commissioner for damages under sections 11-51-604(3) and 604(5)(a), C.R.S., by operation of section 11-51-602(2), C.R.S.

200. The Commissioner is entitled to an award of damages, interest, costs, and attorney's fees, restitution, disgorgement and other equitable relief on behalf of persons injured by the conduct of Defendants pursuant to sections 11-51-602(2), 604(3), and 604(5)(a), C.R.S.

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

THIRD CLAIM FOR RELIEF
(Unlicensed Activity – Broker-Dealer)

202. Paragraphs 1 through 201 are incorporated herein by reference.

203. Defendants transacted business in the state of Colorado as a sales representative and a broker-dealer. In particular, Cole effected or attempted to effect the purchases or sales of securities through his company, Sage.

204. By engaging in the other conduct described above, Defendants transacted business in the state of Colorado as a broker-dealer or sales representative without a license to do so in violation of section 11-51-401(1), C.R.S.

205. At no time relevant herein were Defendants licensed, or exempt from licensure, as a "broker-dealer" or "sales representative" or registered in any capacity with the Commissioner, as required by sections 11-51-401 and 402, C.R.S.

206. Accordingly, Defendants acted as an unlicensed sales representative and unlicensed broker-dealer.

207. The Commissioner is entitled to an award of damages, interest, costs, and attorney's fees, restitution, disgorgement and other equitable relief on behalf of persons injured by the conduct of Defendant pursuant to sections 11-51-602(2), 604(2)(a) and (5)(a), C.R.S. The Commissioner is also entitled to a preliminary and permanent injunction against Defendant, their officers, directors, agents, servants, employees, successors and attorneys-in-fact, as may be; any person, who directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with Defendant; and all those in active concert or participation with Defendant, enjoining violation of sections 11-51-401 and 402, C.R.S., by virtue of section 11-51-602, C.R.S.

FOURTH CLAIM FOR RELIEF
(Unlicensed Activity – Investment Adviser)

208. Paragraphs 1 through 207 are incorporated herein by reference.

209. Defendants transacted business in the state of Colorado as an investment adviser representative and investment adviser. In particular, Cole, as CEO of Sage, represented himself to investors as an expert in algorithmic trading. He personally received approximately $190,000 in exchange for the provision of investment advice and agreed with at least one investor that he would retain any generated trading profits in excess of the promised investor return of 15 percent.

210. By engaging in the conduct described above, Defendants transacted business in the state of Colorado as an investment adviser and an investment adviser representative without licenses to do so in violation of section 11-51-401(1.5), C.R.S.

211. At no time relevant herein were Defendants licensed, or exempt from licensure, as an "investment adviser" or "investment adviser representative" registered in any capacity with the Commissioner, as required by sections 11-51-401 and 402, C.R.S.

212. The Commissioner is entitled to an award of damages, interest, costs, attorneys fees, restitution, rescission, disgorgement and other equitable relief on behalf of persons injured by the conduct of Defendants pursuant to section 11-51-602(2) and 604(2), C.R.S. based on violations of section 11-51-401, C.R.S., and is also entitled to a preliminary and permanent injunction against Defendants, their officers, directors, agents, servants, employees, successors and attorneys-in-fact, as may be; any person, directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with Defendants; and all those in active concert or participation with Defendants, enjoining violation of sections 11-51-401 and 402, C.R.S., by virtue of section 11-51-602, C.R.S.

FIFTH CLAIM FOR RELIEF
(Imposition of Constructive Trust or Equitable Lien)
All Defendants

213. Paragraphs 1 through 212 are incorporated herein by reference.

214. As a consequence of the fraudulent, wrongful, unlawful and inequitable conduct of Defendants, as alleged above, Defendants have obtained property interests and profits therefrom which in justice and equity belong to investors.

215. These interests and profits include, but are not limited to, investor assets in Defendants' bank accounts and all sums derived from the investment of such assets and any assets purchased therewith.

216. Defendants received these fraudulently obtained funds and/or property without giving a reasonably equivalent value in exchange and, as a result, have no legitimate right or claim to these monies. Defendants will each, therefore, be unjustly enriched if they are allowed to maintain ownership of the funds and/or property fraudulently obtained.

217. Defendants hold said funds and/or property in a constructive trust or in a manner in the nature of a constructive trust for the benefit of the investors and

must account to the investors and the Commissioner for all such sums of money, all profits derived from the investment of such money and any assets purchased therewith. Moreover, these property interests, sums of money and assets are impressed with an equitable lien for the benefit of the investors. Accordingly, ownership of all such property interests, sums and assets must be accounted for and adjudicated to be vested in the investors.

218. Accordingly, the Commissioner requests that the Court impose a constructive trust and/or equitable lien on all of the bank accounts, and any fraudulently obtained funds received by Defendants, and any entity controlled by them, to account for and disgorge all properties and funds received by them.

WHEREFORE, the Commissioner requests relief as follows:

219. For preliminary and permanent injunctive relief against Defendants, their agents, servants, employees, and successors; any person who, directly or indirectly, through one or more intermediaries, controls or is controlled by, or is under common control with; and all those in active concert or participation with them, enjoining Defendants from violations of the Colorado Securities Act or successor statute.

220. For judgment in an amount to be determined at trial against Defendants for restitution, disgorgement and other equitable relief pursuant to section 11-51-602(2), C.R.S. For damages, rescission, interest, costs, reasonable attorney's fees, and such other legal and equitable relief, pursuant to sections 11-51-604(1), (2)(a), (3), (4), and (5)(a), C.R.S. as the Court deems appropriate. All of the preceding relief is sought on behalf of the persons injured by the acts and practices of Defendants that constitute violations of the Act.

221. For such other and further relief as the Court deems proper.

Dated this 4th day of November, 2026.

PHILIP J. WEISER
Attorney General

/s/ Madison Fox

ROBERT W. FINKE, 40756*
First Assistant Attorney General
SARAH P.J. DONAHUE, 45212*
Assistant Attorney General II
MADISON C. FOX, 62323*
Assistant Attorney General I
Financial and Community Safety Unit
Attorneys for Plaintiff Tung Chan, Securities Commissioner for the State of Colorado

Ralph L. Carr Judicial Building
1300 Broadway, 8th Floor
Denver, Colorado 80203
Telephone: (720) 508-6376 (Finke)
(720) 508-6433 (Donahue)
(720) 608-6406 (Fox)
Fax: (720) 508-6037
Email: Robert.Finke@coag.gov
Sarah.Donahue@coag.gov
Madison.Fox@coag.gov
*Counsel of Record