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17 **THE UNITED STATES DISTRICT COURT**
18 **FOR THE CENTRAL DISTRICT OF CALIFORNIA**

19 COMMODITY FUTURES
20 TRADING COMMISSION and
21 CALIFORNIA DEPARTMENT OF
22 FINANCIAL PROTECTION &
23 INNOVATION,

24 Plaintiffs,

25 v.

26 REGAL ASSETS LLC,
27 TYLER G. GALLAGHER, and
28 LEAH DONOSO,

Defendants.

Civil Action No. 2:23-cv-8078

**COMPLAINT FOR INJUNCTIVE
RELIEF, CIVIL MONETARY
PENALTIES, RESTITUTION
AND OTHER EQUITABLE
RELIEF**

DEMAND FOR JURY TRIAL

1 Plaintiffs Commodity Futures Trading Commission (“CFTC” or
2 “Commission”) and California Department of Financial Protection & Innovation
3 (“DFPI”), by and through their undersigned attorneys, hereby allege as follows:

4 **I. SUMMARY**

5 1. Beginning in at least November 2019 and continuing through at least
6 October 2022 (“Relevant Period”), Regal Assets LLC (“Regal Assets”), Tyler G.
7 Gallagher (“Gallagher”), and Leah Donoso (“Donoso”) (collectively “Defendants”),
8 engaged in a scheme to defraud people throughout the United States, including in this
9 District and elsewhere in California, in connection with the purchase and sale of
10 precious metals.

11 2. During the Relevant Period, Regal Assets solicited customers to transfer
12 funds in their tax-deferred retirement accounts, including individual retirement
13 accounts (“IRAs”), 401(k) plans, and/or the U.S. Government Thrift Savings Plan
14 (“TSP”), to purchase precious metals from Regal Assets through self-directed IRAs
15 (“SDIRAs”). Regal Assets also solicited and accepted funds from customers to
16 purchase precious metals using non-retirement funds.

17 3. Rather than use all of the customers’ funds for their intended purpose,
18 Defendants misappropriated more than \$21 million of the funds provided by more
19 than 120 customers.

20 4. In doing so, Defendants made knowing or reckless fraudulent
21 misrepresentations and omissions to customers in order to conceal their
22 misappropriation and maintain their fraudulent scheme.

23 5. By virtue of this conduct, and as more fully set forth below, Defendants
24 have engaged, are engaging, and/or are about to engage in, violations of: Section
25 6(c)(1) of the Commodity Exchange Act (“CEA”), 7 U.S.C. § 9(1), and CFTC
26 Regulation 180.1(a)(1)-(3), 17 C.F.R. § 180.1(a)(1)-(3) (2022), and Section 29536 of
27 the California Corporations Code.

1 6. The acts, misrepresentations, omissions, and failures of Gallagher,
2 Donoso, and other officers, employees, and agents of Regal Assets occurred within
3 the scope of their employment, agency, or office with Regal Assets. Therefore, Regal
4 Assets is liable for all of these acts and practices pursuant to Section 2(a)(1)(B) of the
5 CEA, 7 U.S.C. § 2(a)(1)(B), and CFTC Regulation 1.2, 17 C.F.R. § 1.2 (2022).

6 7. During the Relevant Period, Gallagher served as Regal Assets' CEO,
7 owner, and principal. In these roles, Gallagher controlled Regal Assets, directly or
8 indirectly, and did not act in good faith or knowingly induced, directly or indirectly,
9 Regal Assets' conduct alleged in this Complaint. Therefore, Gallagher is liable for
10 the acts of Regal Assets described herein pursuant to Section 13(b) of the CEA,
11 7 U.S.C. § 13c(b).

12 8. Accordingly, pursuant to Sections 6c and 6d(1) of the CEA, 7 U.S.C.
13 §§ 13a-1, 13a-2(1), the CFTC and the DFPI bring this action to enjoin Defendants'
14 unlawful acts and practices, to compel their compliance with the CEA and CFTC
15 Regulations, and to enjoin them from engaging in any commodity-related activity, as
16 set forth below. The DFPI separately alleges violations of state law based on the
17 conduct described herein. Plaintiffs also seek civil monetary penalties, restitution,
18 and remedial ancillary relief, including but not limited to, disgorgement, rescission,
19 pre- and post-judgment interest, and such other relief as the Court may deem
20 necessary and appropriate.

21 II. JURISDICTION AND VENUE

22 9. This Court has subject matter jurisdiction over this action under 28
23 U.S.C. § 1331 (federal question jurisdiction) and 28 U.S.C. § 1345 (district courts
24 have original jurisdiction over civil actions commenced by the United States or by
25 any agency expressly authorized to sue by Act of Congress). Section 6c(a) of the
26 CEA, 7 U.S.C. § 13a-1(a), authorizes the CFTC to seek injunctive and other relief
27 against any person whenever it appears to the CFTC that such person has engaged, is
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1 engaging, or is about to engage in any act or practice constituting a violation of any
2 provision of the CEA or any rule, regulation, or order thereunder.

3 10. Section 6d(1) of the CEA, 7 U.S.C. § 13a-2(1), authorizes the DFPI to
4 bring a suit in the district courts of the United States to seek injunctive and other
5 relief against any person whenever it appears to the Attorney General and/or
6 Securities Administrator of a State, or such other official that a State may designate,
7 that the interests of the residents of the State have been, are being, or may be
8 threatened or adversely affected because of violations of the CEA or CFTC
9 Regulations. The acts and omissions in violation of the CEA and CFTC regulations
10 occurred within California and throughout the United States. Customers from
11 California were materially and substantially harmed by Defendants' violations of the
12 CEA, CFTC Regulations, and various provisions of California state law.

13 11. This Court has supplemental and pendant jurisdiction over California
14 state law claims of the DFPI pursuant to 28 U.S.C. § 1367(a).

15 12. Venue lies properly in this District pursuant to Section 6c(e) of the CEA,
16 7 U.S.C. § 13a-1(e), because one of Regal Assets' primary offices was located in this
17 District, Defendants transacted business in this District, Gallagher resided in this
18 District, and certain transactions, acts, practices, and courses of business in violation
19 of the CEA, CFTC Regulations, and the California Corporations Code occurred, are
20 occurring, or are about to occur within this District, among other places.

21 III. PARTIES

22 A. Plaintiffs

23 13. **Commodity Futures Trading Commission** is the independent federal
24 regulatory agency charged by Congress with the administration and enforcement of
25 the CEA and CFTC Regulations promulgated thereunder. The CFTC maintains its
26 principal office at Three Lafayette Centre, 1155 21st Street NW, Washington, D.C.
27 20581.

1 **14. California Department of Financial Protection and Innovation:**

2 Headed by a Commissioner, the DFPI has jurisdiction over the offer and sale of
3 commodities in California under the California Commodity Law of 1990 (“CCL”)
4 (Cal. Corp. Code §§ 29500-29567). The DFPI maintains its principal office at 2101
5 Arena Boulevard, Sacramento, California 95834.

6 **B. Defendants**

7 **15. Regal Assets LLC** was a California limited liability company formed on
8 January 5, 2010, with a registered address of 3450 Cahuenga Boulevard West,
9 Building 705, Los Angeles, California 90068, and a mailing address of 280 South
10 Beverly Drive, 5th Floor, Beverly Hills, CA 90212. On June 30, 2014, Regal Assets
11 registered as a foreign limited liability company with the Texas Secretary of State,
12 with a business address of 200 West State Highway 6, 4th Floor, Waco, Texas,
13 76712. On September 27, 2022, Regal Assets’ registered agent resigned. In or
14 around late 2022, Regal Assets ceased operations. Regal Assets has never been
15 registered in any capacity with the Commission or the DFPI.

16 **16. Tyler G. Gallagher** is Regal Assets’ sole Member and CEO. Gallagher
17 is a signatory on all of Regal Assets’ bank accounts. During the Relevant Period,
18 Gallagher held at least a 90% ownership share in Regal Assets, controlled its
19 operations, supervised (directly and indirectly) its employees and agents, and made
20 hiring and firing decisions on behalf of Regal Assets. Gallagher has never been
21 registered in any capacity with the Commission or the DFPI. During the Relevant
22 Period, Gallagher resided at least in part in Los Angeles, California.

23 **17. Leah Donoso** was Regal Assets’ President during the Relevant Period.
24 Donoso was a signatory on one of Regal Assets’ bank accounts and had access to and
25 discretion over Regal Assets’ other bank accounts. During the Relevant Period,
26 Donoso was in charge of many aspects of Regal Assets’ daily operations, including
27 the pricing and purchasing of precious metals, initiating bank wire payments, and
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1 payroll. Donoso also supervised (directly and indirectly) certain Regal Assets’
2 employees and agents. Donoso has never been registered in any capacity with the
3 Commission or the DFPI. During the Relevant Period, Donoso resided in Texas.

4 IV. FACTS

5 A. Regal Assets’ Precious Metals Business

6 18. Regal Assets is a precious metals retailer, meaning it sells various types
7 of precious metals products (e.g., bars, rounds, and coins) directly to members of the
8 public.

9 19. Precious metals are commodities under Section 1a(9) of the CEA,
10 7 U.S.C. § 1a(9).

11 20. During the Relevant Period, Regal Assets solicited customers to transfer
12 funds in their tax-deferred retirement accounts and use those funds to purchase
13 precious metals from Regal Assets through SDIRAs. Regal Assets also solicited and
14 accepted funds from customers to purchase precious metals from Regal Assets using
15 non-retirement funds.

16 21. In either case, Defendants controlled and/or facilitated nearly every step
17 of the precious metals transactions with customers.

18 22. For customers who decided to use retirement funds to purchase precious
19 metals from Regal Assets, Defendants’ normal business practice consisted of multiple
20 steps.

21 23. Typically, a Regal Assets agent would provide the prospective customer
22 with information on the process and the benefits of converting their existing
23 retirement holdings to precious metals.

24 24. Once the Regal Assets agent and the customer agreed on the terms for
25 the customer’s precious metals purchase, the agent would typically email a purchase
26 confirmation to the customer stating, *inter alia*, that Regal Assets had “locked up”
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1 and/or “secured” the precious metals for the customer at the agreed-upon price,
2 quantity, and type.

3 25. Customers had to open and fund a SDIRA with a SDIRA custodian in
4 order to maintain tax-deferred status for the precious metals that would ultimately
5 fund the SDIRA.

6 26. The Regal Assets agent would complete the SDIRA account opening
7 application on behalf of the customer, forward the application and investment
8 authorization form (including a detailed inventory of the precious metals to be
9 purchased) to the customer to sign and return to Regal Assets, and then forward the
10 signed application to the SDIRA custodian.

11 27. The SDIRA application included the customer’s authorization to:
12 (i) liquidate their existing retirement account holdings; (ii) have the proceeds
13 transferred to their newly opened account at the SDIRA custodian; and (iii) then have
14 the SDIRA custodian transfer the funds to a Regal Assets bank account. Regal
15 Assets was then to use those funds (minus Regal Assets’ fees or commissions) to
16 purchase the customer’s precious metals from a wholesaler.

17 28. Regal Assets would handle the purchasing of the precious metals to
18 deposit into the customer’s SDIRA account.

19 29. Customers wanting to maintain the tax-deferred status of their newly
20 opened precious metals SDIRA account could not take personal possession of the
21 precious metals. Therefore, Regal Assets would instruct the wholesaler to ship the
22 newly-purchased metals to a metals depository to be held under the customer’s name
23 and SDIRA account number.

24 30. The depository would then provide confirmation to the SDIRA custodian
25 that the precious metals had been placed into the depository for the benefit of the
26 customer, and the SDIRA custodian would update the customer’s SDIRA account to
27 reflect that the metals were located at the depository.

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1 31. For customers using non-SDIRA funds to purchase precious metals,
2 Regal Assets' normal business practice consisted of first agreeing with the customer
3 on the price, quantity, and type of metals to be purchased and providing the customer
4 a purchase confirmation containing this information.

5 32. After receipt of the purchase confirmation, the customer would transfer
6 their funds directly to a Regal Assets bank account. Regal Assets was supposed to
7 use those funds (minus Regal Assets' fees or commissions) to purchase the
8 customer's precious metals from a wholesaler.

9 33. Regal Assets then facilitated the shipment of the precious metals to a
10 location of the customer's choosing, usually a precious metals storage depository or,
11 in some instances, directly to the customer.

12 34. In instances where the precious metals were sent to a depository, the
13 depository would assign the metals to an account in the customer's name or to a "sub-
14 account" under a "master" account held in Regal Assets' name. These sub-accounts
15 were simply ledger entries under Regal Assets' master account which designated the
16 metals allotted to each specific Regal Assets customer. As the holder of the master
17 account, Regal Assets was the sole party in control of the customers' precious metals
18 holdings designated in the sub-accounts and the only party who received from the
19 depositories periodic holdings statements for the sub-accounts.

20 **B. Defendants Misappropriated Customer Funds**

21 35. During the Relevant Period, Defendants misappropriated more than
22 \$21 million of customer funds from over 120 customers.

23 36. These funds consisted of: (i) at least \$21.4 million in customer funds
24 received by Regal Assets intended for the purchase of precious metals which were
25 never bought; and (ii) at least \$300,000 in proceeds from Regal Assets' liquidation of
26 precious metals held in the customers' designated sub-accounts at a depository.
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1 37. The vast majority of the funds Regal Assets misappropriated were from
2 customers' retirement funds in their SDIRA accounts. Many of these customers were
3 elderly or retired individuals who would have great difficulty trying to rebuild their
4 retirement savings.

5 38. By at least November 2019, Defendants' misappropriation of customer
6 funds left Regal Assets with insufficient funds to acquire all of the precious metals it
7 owed to its customers. Defendants knew this or were reckless in not knowing it when
8 they continued to accept new customers and continued to misappropriate customer
9 funds during the Relevant Period.

10 39. Defendants' misappropriation of these funds came in multiple forms, as
11 described below.

12 **1. Defendants Misappropriated Customer Funds For Their**
13 **Own Personal Use**

14 40. During the Relevant Period, rather than purchase precious metals for all
15 of their customers, Defendants used customer funds for their own personal use.

16 41. For example, Gallagher misappropriated customer funds to pay for
17 personal expenses, such as:

- 18 a. Over \$1 million of payments to several PayPal accounts related to a
19 competitive video-gaming business owned by Gallagher;
- 20 b. Over \$800,000 in monthly mortgage payments on Gallagher's multi-
21 million dollar house in Beverly Hills;
- 22 c. Approximately \$170,000 to settle a lawsuit related to Gallagher's
23 purchase of box seats at a sports arena;
- 24 d. Over \$150,000 of payments to individuals performing personal services
25 for Gallagher such as a driver and housekeeper;
- 26 e. At least \$150,000 in payments to a person believed to be Gallagher's
27 girlfriend at the time;

1 f. Approximately \$146,000 on an apartment for Gallagher and his
2 girlfriend and/or her brother;

3 g. Approximately \$73,500 for the purchase of a Cadillac Escalade; and

4 h. Approximately \$73,400 on a Tesla car payment for Gallagher's
5 girlfriend.

6 42. Gallagher often instructed Donoso to make such payments on his behalf.

7 43. During the Relevant Period, Defendants directed payments to Donoso
8 for over \$300,000 in salary; \$65,000 in cash bonuses; thousands of dollars in salary
9 for work related to Gallagher's non-Regal Assets business; and over \$100,000 in
10 other direct payments from a Regal Assets bank account.

11 44. Defendants also directed payments to Donoso's husband totaling over
12 \$454,000 in salary and \$15,000 in cash bonuses.

13 45. In addition, Donoso received approximately \$868,000 worth of precious
14 metals as bonuses for her work as Regal Assets' President. Upon placing an order
15 using customer funds, Donoso instructed the metals wholesalers to ship the metals
16 directly to her home. Donoso subsequently sold back those metals to another metals
17 wholesaler and retained the proceeds for her personal use.

18 46. Gallagher and Donoso knew or were reckless in not knowing that these
19 payments and bonuses described above were made using customer funds to which
20 they were not entitled and during a time when Regal Assets owed customers a
21 quantity of precious metals the value of which far exceeded Regal Assets' capital in
22 its bank accounts.

23 47. For example, in late April 2022, Donoso purchased 35 one-ounce gold
24 bars from a precious metals wholesaler and had them delivered to her house. She
25 paid the precious metals wholesaler approximately \$67,900 from a Regal Assets bank
26 account in early May even though, as of the end of April 2022, Donoso knew or was
27 reckless in not knowing that Regal Assets owed their customers approximately
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1 \$18 million in precious metals. Donoso subsequently sold 25 one-ounce gold bars in
2 late June 2022 and received the proceeds of the sale, approximately \$45,000, in her
3 personal bank account.

4 **2. Defendants Used New Customer Money to Pay-Off Old** 5 **Customers**

6 48. As mentioned above, by at least November 2019, Defendants’
7 misappropriation of customer funds left Regal Assets with insufficient funds to fill
8 their customers’ precious metals orders.

9 49. Consequently, during the Relevant Period, Defendants—in a Ponzi-like
10 manner—used funds from some new customers to fulfill the orders of or pay back old
11 customers.

12 50. For example, at the start of November 2021, Regal Assets owed at least
13 \$7 million in precious metals to customers, but only had approximately \$347,724 in
14 its bank accounts. From November 1 through November 16, 2021, Regal Assets
15 received approximately \$2.7 million from one of the SDIRA custodians on behalf of
16 five customers. Instead of using those funds to acquire precious metals for the five
17 customers, Defendants used those funds to, among other things, purchase precious
18 metals for older customers. The five customers never received their metals. Only
19 one customer received a refund of less than 20 percent of her funds in the summer of
20 2022 after repeated demands for a full refund.

21 51. As another example, on August 8, 2022, a new customer (“Customer
22 A”) transferred \$1,135,130 from his SDIRA to Regal Assets for the purpose of
23 purchasing precious metals from Regal Assets. Prior to this deposit, the combined
24 balance in Regal Assets’ bank accounts totaled under \$131,000. The following day,
25 Donoso initiated an \$806,000 wire transfer to an old customer (“Customer B”), who
26 previously sent approximately \$1.2 million to Regal Assets to purchase precious
27 metals but subsequently demanded a refund because her metals were never delivered.

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1 52. Defendants repeated this cycle of using funds from new customers to
2 settle the accounts of old customers throughout the Relevant Period.

3 **3. Defendants Misappropriated Customer Funds to Keep**
4 **Their Fraudulent Scheme Afloat**

5 53. During the Relevant Period, Defendants used customer funds to which
6 they were not entitled to pay for Regal Assets' business expenses, such as:

- 7 a. At least \$4.1 million on payroll including direct payments to Gallagher
8 and Donoso;
- 9 b. At least \$1.6 million on Regal Assets credit cards used for both business
10 and personal expenses; and
- 11 c. Approximately \$1.1 million on legal fees for Regal Assets and Gallagher
12 personally.

13 54. While Defendants were misappropriating customer funds, Gallagher
14 obtained additional capital in the form of secured loans from third parties to keep
15 Regal Assets' Ponzi-like operation afloat. During the Relevant Period, Regal Assets
16 received approximately \$6.4 million in loan proceeds. Defendants misappropriated
17 customer funds to pay down the balances on these loans.

18 55. The misappropriation was executed by Gallagher directly or by
19 Gallagher instructing Donoso to make the aforementioned payments from Regal
20 Assets' bank accounts which held customer funds. At the time they were making
21 these payments, Gallagher and Donoso knew or were reckless in not knowing that
22 they were using customer funds intended for the purchase of precious metals for the
23 customers.

1 **C. Defendants Made Misrepresentations and Fraudulent**
2 **Omissions to Customers and SDIRA Custodians in Order to**
3 **Conceal and Perpetuate Their Fraudulent Scheme**

4 56. In addition to misappropriating customer funds (which included the
5 making of Ponzi-like payments as described above), throughout the Relevant Period,
6 Defendants routinely misrepresented to customers that Defendants would acquire or
7 had acquired the customers' precious metals (e.g., telling the customer that their
8 metals were "locked up" and/or "secured") in instances where in fact Regal Assets
9 did not actually acquire the metals.

10 57. Gallagher and Donoso knew or should have known that such false
11 representations were being made to customers by other agents of Regal Assets.

12 58. Donoso herself made similar misrepresentations directly to customers.
13 For example, in August 2022, in response to multiple emails from a customer
14 ("Customer C") requesting that Donoso confirm the purchase of his precious metals
15 and shipment of same to a depository, Donoso responded that "I emailed [the
16 depository] to check on [the] status of your metals. It usually takes the [depository] 3
17 days to respond. I am waiting on your download update with the [depository]." In
18 response to a subsequent email from Customer C asking Donoso again to confirm
19 that his metals were purchased in June 2022, Donoso responded that the "[m]etals
20 were purchased the day we locked you in." At the time Donoso made these
21 statements, Donoso knew that no precious metals had been purchased for Customer
22 C.

23 59. Defendants failed to disclose to prospective and existing customers that
24 Defendants were misappropriating customer funds.

25 60. Defendants made these fraudulent misrepresentations and omissions
26 (and Ponzi-like payments) in order to conceal and maintain their fraudulent scheme.

27 61. At various times during the Relevant Period, customers contacted Regal
28 Assets, including Gallagher and Donoso specifically, to inquire about why the

1 precious metals they purchased were not showing up in their SDIRA accounts in a
2 timely manner. On multiple occasions, Gallagher instructed Donoso to give
3 customers information that they each knew, or should have known, was false in
4 response to these and other customer inquiries, which Donoso did.

5 62. False information provided by Defendants to customers and at least one
6 SDIRA custodian included: that the depository was delayed in taking inventory of
7 the precious metals shipments or issuing reports to the SDIRA custodian; that the
8 metals were sitting in a truck at the depository; that the SDIRA custodian did not
9 have good record-keeping; and that refunds via bank wire transfers took longer due to
10 the dollar amount or a mix-up with the routing number.

11 63. For example, in a string of July 2022 emails with a customer (“Customer
12 D”), who purchased over \$600,000 of precious metals, and his attorney, who were
13 inquiring about why Customer D’s metals had not shown up in his account, Donoso
14 placed the blame on the depository:

15 The Vault was told Friday to get everything keyed in
16 immediately. I received a response “We are doing everything
17 possible to process your request” that was early this morning. I
18 hope and pray that these will be keyed in his account by late
19 tomorrow. A lot of people are involved with making sure this
20 happens. If I have to fly in person and stand in front [sic] of
21 someone to see that this is done, I will.”

22 64. At the time Donoso made these statements, she knew that the precious
23 metals were not appearing in Customer D’s account because Defendants had not
24 purchased them but rather misappropriated Customer D’s funds.

25 65. As another example, in or around early December 2021, a customer
26 (“Customer E”), via their SDIRA custodian, sent Regal Assets approximately
27 \$499,000 for the purchase of precious metals. In or around March 7, 2022, Customer
28 E inquired about the status of her metals which were not showing up in her account.
Donoso responded in an email to Customer E that “[y]ou will see the updates occur

1 this week online. I spoke with DDSC (the vault last Tuesday) I conformed [sic] they
2 received packages. I was told they will have them inventoried in this week.”

3 66. Later in March 2022, having not received any “updates,” Customer E
4 contacted Donoso again about the status of her precious metals. Donoso then told
5 Customer E in an email “I personally went through an audit with [the depository
6 vault] yesterday. They are going to email over the audit to [the SDIRA custodian]
7 here within 4 hrs. You should see your metals reflect online here in a day or 2. I did
8 not know that [the depository vault] was back logged [sic].”

9 67. At the time Donoso made these statements, she knew that Defendants
10 had not purchased the precious metals for Customer E. Defendants did not begin
11 acquiring metals for Customer E’s account until late April/early May and, even so,
12 Defendants misappropriated more than \$247,000 of Customer E’s funds.

13 68. Donoso also made false representations to customers and at least one
14 SDIRA custodian in the form of inaccurate, altered, and/or falsified bank records,
15 shipping records, and wholesaler precious metal purchase invoices.

16 69. Donoso sent these false records and information to customers and at
17 least one SDIRA custodian to mislead them into believing that Regal Assets had
18 purchased the customers’ precious metals, had delivered them to a depository, and/or
19 had attempted to send a refund to customers who had requested one.

20 70. For example, on May 11, 2022, in response to an inquiry from two
21 customers (a married couple, “Customer F” and “Customer G”) requesting
22 documentation of their precious metals purchases, Donoso emailed Customers F and
23 G: (i) a purchase update from a wholesaler dated November 5, 2021; (ii) a copy of an
24 April 27, 2022 email sent by Donoso to a depository; and (iii) a “Metals Movement
25 Request Form” filled out by Donoso dated April 26, 2022 requesting the depository
26 to transfer to Customer G’s account the metals she had purchased.

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1 71. Together these documents purported to show that Regal Assets had
2 purchased precious metals matching Customer G’s order and that Donoso had
3 subsequently requested the depository to transfer the metals to Customer G’s account.

4 72. In fact, Donoso had intentionally doctored the email purportedly sent to
5 the depository and the purchase notification from the wholesaler by selectively
6 redacting certain information and adding fictitious information to falsely represent
7 that these records pertained to Customer G’s order. In addition, Donoso never sent
8 the “Metals Movement Request Form” to the depository.

9 73. A few days later, Donoso sent the same types of false records to
10 Customer F with respect to his precious metals purchase.

11 74. Once Customers F and G realized that their precious metals had not been
12 transferred to their accounts, they demanded a refund, to which Donoso agreed.

13 75. On June 10, 2022, Donoso emailed purported wire information, dated
14 the same day, to Customer F’s and Customer G’s SDIRA custodian purporting to
15 show a refund of over \$1.25 million and over \$1.35 million to Customer F’s and
16 Customer G’s SDIRA accounts, respectively.

17 76. In reality, Donoso had copied the wire confirmation from an unrelated
18 wire transfer made that day, deleted the amount sent, and typed in the amounts that
19 were owed to Customers F and G, all in an attempt to convince the SDIRA custodian
20 and Customer G that Customer G’s funds had been fully refunded when in fact they
21 had not.

22 77. Having still not received their funds, on June 13 and June 15, 2022,
23 Customer G contacted Donoso requesting copies of the bank wire confirmations.
24 Donoso responded to Customer G on June 15, 2022 falsely stating “[y]our wire fully
25 released today.”

26 78. On June 16, 2022, Donoso sent another email to the SDIRA custodian
27 falsely stating that:
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1 I am on the phone with Bank of America. They are telling me
2 the Fed Trace number I provided you is the correct one for
3 [Customer G]. They have informed me that due to the amount
4 and recent Wire Fraud at BOA they have done due diligence
5 and it can take you guys 2-3 days to receive. I have only been
6 able to release [Customer G's] wire. They will not let me
7 process [Customer F's] [wire] until tomorrow.

8 79. That same day, the SDIRA custodian responded to Donoso:

9 We are a bank, so we see the wires as soon as they hit our
10 account. There is no hold-up on our side on these types of
11 transactions. I am told that when a[] [wire transfer reference]
12 number is assigned by the Federal Reserve, the wire has been
13 sent through the fed system and delivered to the receiving bank.
14 This makes me believe that the [wire transfer reference] number
15 you provided was not associated with your payment to
16 [Customer F's and Customer G's] accounts through [the
17 SDIRA].

18 80. On June 22 and 23, 2022, Customer G's SDIRA account received three
19 wires from Regal Assets' bank account totaling \$250,000, which was only a small
20 portion of the total amount owed to Customers F and G.

21 81. Then on June 27, 2022, Donoso sent Customers F and G and their
22 SDIRA custodian another document purporting to show a wire transfer ledger from
23 Regal Assets' bank account to Customer F's and Customer G's SDIRA accounts of
24 over \$2.3 million.

25 82. In reality, the document sent by Donoso was another forgery that she
26 created by manually manipulating unrelated ledger entries from one of Regal Assets'
27 bank accounts.

28 83. At the time Defendants sent these communications, Defendants knew
that they had misappropriated the funds sent by Customers F and G for the purchase
of precious metals, that Regal Assets had never purchased these customers' precious
metals, and that Regal Assets did not have the funds to refund these customers'
accounts.

D. Defendants' Fraudulent Scheme Unravels

1
2 84. By the spring of 2022, an increasing number of customers began
3 contacting Regal Assets to request information as to why the precious metals they
4 purchased had not been credited to their SDIRA accounts.

5 85. These inquiries increased in number and frequency after one of the
6 SDIRA custodians reviewed the accounts of its clients who had purchased precious
7 metals from Regal Assets and discovered that many of these accounts had never
8 received their metals.

9 86. The SDIRA custodian subsequently sent letters to its clients notifying
10 them that the SDIRA custodian had not received confirmation that the clients'
11 precious metals had been delivered to the depository.

12 87. Customers also began to have increased difficulty communicating with
13 Defendants.

14 88. In August 2022, Gallagher terminated Donoso. Soon after, most of the
15 other Regal Assets employees and agents resigned or were terminated.

16 89. In or around late September, Donoso—at Gallagher's request—assisted
17 with responding to customer communications and handling issues associated with
18 customer accounts for one to two months, after which she permanently departed from
19 Regal Assets.

20 90. In late 2022, Regal Assets ceased accepting calls or communicating with
21 customers.

22 91. As of November 30, 2022, the Regal Assets bank accounts had a
23 combined negative balance of approximately \$413.

24 92. On information and belief, Gallagher left the United States in or around
25 the fall of 2022.

26
27
28

1 **E. Gallagher Acted as a Controlling Person of Regal Assets**

2 93. During the Relevant Period, Gallagher owned at least a 90% share of
3 Regal Assets and served as Regal Assets' CEO. Upon information and belief, for a
4 period of time another individual owned a 10% share of Regal Assets. However,
5 upon information and belief, this individual was not involved in the fraud and did not
6 play a significant role in Regal Assets' day-to-day operations.

7 94. Gallagher was a signatory on all Regal Assets' bank accounts.

8 95. Gallagher had discretion to take distributions from Regal Assets, and
9 Regal Assets directly paid some of his personal expenses as well as expenses
10 associated with Gallagher's other businesses.

11 96. Gallagher was responsible for hiring Regal Assets staff (including
12 Donoso), Regal Assets sales representatives, and other Regal Assets employees.

13 97. Gallagher did not act in good faith or knowingly induced Regal Assets'
14 fraudulent acts.

15 **F. Gallagher, Donoso, and other Regal Assets Employees Were**
16 **Agents of Regal Assets**

17 98. The actions taken by Gallagher, Donoso, and all other Regal Assets
18 employees and representatives, as described herein, were performed within the scope
19 of their employment or office with Regal Assets. As such, Gallagher, Donoso, and
20 other Regal Assets employees and representatives were acting as agents of Regal
21 Assets.

22 **G. Allegations Specific to Claims Brought by the State of**
23 **California: Defendants Engaged in Unlawful Commodities**
24 **Transactions and Commodities Fraud**

25 99. During the Relevant Period, Regal Assets, by and through its agents,
26 operated a website at <https://www.regalassets.com/>. The website allowed customers
27 to view and read about various precious metals products they could buy from Regal
28 Assets. Regal Assets invited potential customers to request a free copy of its

1 “Investor’s Kit” which explained the benefits of investing in precious metals and
2 choosing Regal Assets. The website’s “Contact Us” page gave prospective customers
3 the option to communicate with Regal Assets by phone (1-877-962-1133), chat, or
4 via mail to its corporate headquarters in Beverly Hills, California.

5 100. Defendants communicated directly and by and through Regal Assets
6 agents with California customers and customers from other states by phone and
7 email. For example, Regal Assets sales agents based in the Los Angeles area called
8 and emailed prospective customers to discuss a customer’s interest in purchasing
9 precious metals and to provide the prospective customer with information on the
10 process and the benefits of converting their existing retirement holdings to precious
11 metals.

12 101. As another example, in April 2022, when a California customer
13 (“California Customer 1”) contacted Donoso to address concerns about a prior
14 precious metals purchase, Donoso sent text messages to reassure the customer.
15 Donoso also confirmed that California Customer 1’s retirement account rollover
16 funds would be available to purchase metals soon. Donoso asked California
17 Customer 1 about the customer’s interest in making a subsequent precious metals
18 purchase with those funds. California Customer 1 confirmed interest in the precious
19 metals Donoso mentioned as well as a few others. The following day on April 12,
20 2022, Donoso sent California Customer 1 a text message with an update that a Regal
21 Assets sales agent would call the customer that morning with price information.

22 102. On or about April 12, 2022, a Regal Assets sales agent sent California
23 Customer 1 a purchase confirmation email informing the customer that Regal Assets
24 had “locked up” and “secured” the precious metals for the customer at the agreed-
25 upon price, quantity, and type. The April 12 confirmation also informed California
26 Customer 1, that “[a]s soon as your account is fully funded [your precious metals]
27 will be moved from inventory vaults to full inspections before shipping to [the
28

1 depository].” California Customer 1 sent Regal Assets over \$100,000 to purchase
2 precious metals.

3 103. During the Relevant Period, neither Defendants nor their agents were
4 financial institutions, registered broker dealers, insurance companies, financial
5 holding companies, or investment bank holding companies, and neither Gallagher nor
6 Donoso was an associated person of such entities.

7 104. Defendants did not inform customers, including but not limited to,
8 California Customer 1, that:

- 9 i. Defendants misappropriated Regal Assets customer funds to pay
10 for, among other things, Defendants’ personal expenses and bonus
11 payments.
- 12 ii. Defendants relied on loan proceeds and new customer funds to
13 make precious metals purchases to satisfy customer accounts.
- 14 iii. Regal Assets used customer funds to pay down the balances of its
15 loans.
- 16 iv. Defendants provided false and misleading information to customers
17 about the status of customers’ precious metals purchases.

18 105. The conduct and practices discussed in Paragraphs 1 to 104 violate
19 California state law prohibiting unlawful commodities transactions as well as
20 schemes to defraud and material misrepresentations or omissions in connection with
21 the offer, purchase, or sale of commodities.

22 **V. VIOLATIONS OF THE COMMODITY EXCHANGE ACT AND**
23 **COMMISSION REGULATIONS**

24 *(Brought by All Plaintiffs)*

25 **COUNT 1**

26 **Fraud**

27 **Violations of Section 6(c)(1) of the CEA, 7 U.S.C. § 9(1), and CFTC Regulation**
28 **180.1(a)(1)-(3), 17 C.F.R. § 180.1(a)(1)-(3) (2022)**

1 106. The allegations in Paragraphs 1 through 105 are re-alleged and
2 incorporated herein by reference.

3 107. The conduct described above occurred in connection with contracts of
4 sale of commodities in interstate commerce.

5 108. 7 U.S.C. § 9(1) provides, in relevant part:

6 It shall be unlawful for any person, directly or indirectly, to use
7 or employ, or attempt to use or employ, in connection with any
8 swap, or a contract of sale of any commodity in interstate
9 commerce, or for future delivery on or subject to the rules of
10 any registered entity, any manipulative or deceptive device or
11 contrivance, in contravention of such rules and regulations as
12 the Commission shall promulgate

13 109. 17 C.F.R § 180.1(a) provides, in relevant part:

14 It shall be unlawful for any person, directly or indirectly, in
15 connection with any swap, or contract of sale of any commodity
16 in interstate commerce, or contract for future delivery on or
17 subject to the rules of any registered entity, to intentionally or
18 recklessly:

19 (1) Use or employ, or attempt to use or employ, any
20 manipulative device, scheme, or artifice to defraud;

21 (2) Make, or attempt to make, any untrue or misleading
22 statement of a material fact or to omit to state a material fact
23 necessary in order to make the statements made not untrue or
24 misleading; [or]

25 (3) Engage, or attempt to engage, in any act, practice, or
26 course of business, which operates or would operate as a fraud
27 or deceit upon any person

28 110. Defendants, directly or indirectly and in connection with contracts of
sale of commodities in interstate commerce, knowingly or recklessly misappropriated
customer funds and made material fraudulent misrepresentations and omissions to

1 customers regarding, among other things, Defendants' use of customer funds and the
2 status of customers' precious metal purchases.

3 111. Defendants, directly or indirectly and in connection with contracts of
4 sale of commodities in interstate commerce, knowingly or recklessly failed to
5 disclose to prospective and existing customers that Defendants misappropriated
6 customer funds.

7 112. By reason of the conduct described above, Defendants violated 7 U.S.C.
8 § 9(1) and 17 C.F.R. § 180.1(a)(1)-(3).

9 113. The foregoing acts, misrepresentations, omissions, and failures of
10 Gallagher, Donoso, and other officers, employees, and agents of Regal Assets
11 occurred within the scope of their employment, agency, or office with Regal Assets.
12 Therefore, Regal Assets is liable for all of these acts and practices pursuant to
13 7 U.S.C. § 2(a)(1)(B) and 17 C.F.R. § 1.2 (2022).

14 114. During the Relevant Period, Gallagher controlled Regal Assets, directly
15 or indirectly, and did not act in good faith or knowingly induced, directly or
16 indirectly, Regal Assets' violations alleged in this count. Therefore, Gallagher is
17 liable for Regal Assets' conduct described herein pursuant to Section 13(b) of the
18 CEA, 7 U.S.C. § 13c(b).

19 115. Each use or employment or attempted use or employment of any
20 manipulative device, scheme, or artifice to defraud; untrue or misleading statement of
21 fact, omission of a material fact necessary to make statements not untrue or
22 misleading; or act of engaging, or attempting to engage, in acts, practices, or courses
23 of business that operated or would have operated as a fraud or deceit on Regal
24 Assets' customers is alleged as a separate and distinct violation of 7 U.S.C. § 9(1) and
25 17 C.F.R. § 180.1(a)(1)-(3).

26 **VI. VIOLATIONS OF THE CALIFORNIA CORPORATIONS CODE**
27 *(Brought by Plaintiff California Department of Financial Protection & Innovation)*

COUNT 2
Unlawful Commodity Transactions
Violations of Cal. Corp. Code § 29520

116. The allegations in Paragraphs 1 through 115 are re-alleged and incorporated herein by reference.

117. California Corporations Code section 29520 provides:

Except as otherwise provided in Section 29530, 29531, or 29532, no person shall sell or purchase or offer to sell or purchase any commodity under any commodity contract or under any commodity option, or offer to enter into, or enter into, as seller or purchaser any commodity contract or any commodity option.

118. Under California Commodity Law of 1990 (“CCL”) (Cal. Corp. Code, § 29500-29567) sections 29504 and 29515, precious metals are “commodities.”

119. Under CCL section 29505, a “commodity contract” means “any account, agreement, or contract for the purchase or sale, primarily for speculation or investment purposes and not for consumption by the offeree or purchaser”

120. California Corporations Code section 29552 provides:

Any person who materially assists in any violation of this law, or any rule or order of the commissioner under this law, is jointly and severally liable with any other person liable under this law for the violation.

121. During the Relevant Period, Defendants offered to sell and sold, and offered to purchase and purchased, commodities and entered into commodity contracts in California. Defendants’ commodity transactions fail to qualify under any exceptions or exemptions in violation of CCL section 29520. By engaging in the conduct set forth above, Defendant Donoso knowingly provided substantial assistance to Defendants Regal Assets and Gallagher in their violations of CCL section 29520.

COUNT3

**Commodities Fraud
Violations of Cal. Corp. Code § 29536**

1
2
3 122. The allegations in Paragraphs 1 through 121 are re-alleged and
4 incorporated herein by reference.

5
6 123. California Corporations Code section 29536 provides:

7 It is unlawful for any person, directly or indirectly, in
8 connection with the purchase or sale of, the offer to sell, the
9 offer to purchase, the offer to enter into, or the entry into, a
10 commodity, commodity contract, or commodity option to do
11 any of the following:

12 (a) To willfully employ any device, scheme, or artifice to
13 defraud.

14 (b) To willfully make any false report, enter any false record,
15 make any untrue statement of a material fact, or omit to state a
16 material fact necessary in order to make the statements made, in
17 the light of the circumstances under which they were made, not
18 misleading.

19 (c) To willfully engage in any transaction, act, practice, or
20 course of business which operates or would operate as a fraud
21 or deceit upon any persons.

22 (d) To willfully misappropriate or convert the funds, security,
23 or property of any other person.

24 124. CCL section 29536 applies to the transactions, agreements, or contracts
25 Defendants offered and sold.

26 125. During the Relevant Period, Defendants violated CCL section 29536 by
27 the conduct described in this Complaint. Defendants willfully omitted and willfully
28 made untrue statements of material facts, misappropriated customer funds, and
engaged in fraudulent schemes to defraud in connection with the purchase and sale
of, the offer to sell, the offer to purchase, the offer to enter into, and the entry into,
commodities and commodity contracts.

VII. RELIEF REQUESTED

WHEREFORE, the CFTC and the DFPI respectfully request that this Court, as authorized by Sections 6c and 6d(1) of the CEA, 7 U.S.C. §§ 13a-1, 13a-2(1), and pursuant to its own equitable powers:

- A. Find that Defendants violated Section 6(c)(1) of the CEA, 7 U.S.C. § 9(1), and CFTC Regulation 180.1(a)(1)-(3), 17 C.F.R. § 180.1(a)(1)-(3) (2022);
- B. Find that Defendants violated the laws of California as set forth above;
- C. Enter an order of permanent injunction restraining and enjoining Defendants and their affiliates, agents, servants, employees, successors, assigns, attorneys, and all persons in active concert with them, who receive actual notice of such order by personal service or otherwise, from directly or indirectly engaging in the conduct described above, in violation of 7 U.S.C. § 9(1) and 17 C.F.R. § 180.1(a)(1)-(3) and the laws of California;
- D. Enter an order of permanent injunction restraining and enjoining Defendants and their affiliates, agents, servants, employees, successors, assigns, attorneys, and all persons in active concert with them, from directly or indirectly:
 - 1) Trading on or subject to the rules of any registered entity (as that term is defined by Section 1a(40) of the CEA, 7 U.S.C. § 1a(40));
 - 2) Entering into any transactions involving “commodity interests” (as that term is defined in CFTC Regulation 1.3, 17 C.F.R. § 1.3 (2022)), or precious metals that are commodities, as that term is defined herein, for accounts held in the name of any Defendant or for accounts in which any Defendant has a direct or indirect interest;

- 1 3) Having any commodity interests or precious metals that are
2 commodities, as that term is defined herein, traded on any
3 Defendant's behalf;
- 4 4) Controlling or directing the trading for or on behalf of any other
5 person or entity, whether by power of attorney or otherwise, in any
6 account involving commodity interests or precious metals that are
7 commodities, as that term is defined herein;
- 8 5) Soliciting, receiving, or accepting any funds from any person for the
9 purpose of purchasing or selling any commodity interests or precious
10 metals that are commodities, as that term is defined herein;
- 11 6) Applying for registration or claiming exemption from registration
12 with the CFTC in any capacity, and engaging in any activity
13 requiring such registration or exemption from registration with the
14 CFTC except as provided for in CFTC Regulation 4.14(a)(9),
15 17 C.F.R. § 4.14(a)(9) (2022);
- 16 7) Acting as a principal (as that term is defined in CFTC Regulation
17 3.1(a), 17 C.F.R. § 3.1(a) (2022)), agent, or any other officer or
18 employee of any person registered, exempted from registration, or
19 required to be registered with the CFTC except as provided for in
20 17 C.F.R. § 4.14(a)(9);
- 21 8) Selling or purchasing or offering to sell or purchasing any commodity
22 under any commodity contract or under any commodity option, or
23 offering to enter into, or entering into, as seller or purchaser any
24 commodity contract or any commodity option in violation of
25 Corporation Code section 29520; and
- 26 9) Employing a device, scheme, or artifice to defraud, making an untrue
27 statement of a material fact, or omitting to state a material fact
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1 necessary to make the statements made, in the light of the
2 circumstances under which they were made, not misleading,
3 engaging in any transaction, act, practice, or course of business which
4 operates or would operate as a fraud or deceit upon any person, or
5 misappropriating funds, in connection with the sale or purchase, or
6 offer to sell or purchase, any commodity, commodity contract, or
7 commodity option, in violation of Corporations Code section 29536.

8 E. Enter an order directing Defendants as well as any third-party transferee
9 and/or successors thereof, to disgorge, pursuant to such procedure as the
10 Court may order, all benefits received including, but not limited to,
11 salaries, commissions, loans, fees, revenues, and trading profits derived,
12 directly or indirectly, from acts or practices that constitute violations of
13 the CEA or CFTC Regulations or the laws of California, as described
14 herein, including pre-judgment and post-judgment interest;

15 F. Enter an order requiring Defendants, as well as any successors thereof,
16 to make full restitution to every person who has sustained losses
17 proximately caused by the violations described herein, including pre-
18 judgment and post-judgment interest;

19 G. Enter an order directing Defendants to rescind, pursuant to such
20 procedures as the Court may order, all contracts and agreements,
21 whether implied or express, entered into between Defendants and any of
22 the customers whose funds were received by Defendants as a result of
23 Defendants' violations of the CEA or CFTC Regulations or the laws of
24 California as described herein;

25 H. Enter an order directing Defendants to pay a civil monetary penalty
26 assessed by the Court, in an amount not to exceed the penalty prescribed
27 by Section 6c(d)(1) of the CEA, 7 U.S.C. § 13a-1(d)(1), as adjusted for
28

1 inflation pursuant to the Federal Civil Penalties Inflation Adjustment Act
2 Improvements Act of 2015, Pub. L. 114-74, tit. VII, § 701, 129 Stat.
3 584, 599-600, *see* CFTC Regulation 143.8, 17 C.F.R. § 143.8 (2022), for
4 each violation of the CEA or CFTC Regulations, and ordering
5 Defendants to pay civil monetary penalties and/or damages pursuant to
6 the laws of California, during the Relevant Period, described herein;

- 7 I. Enter an order requiring Defendants to pay costs and fees as permitted
8 by 28 U.S.C. §§ 1920 and 2413(a)(2) and the laws of California; and
9 J. Enter an order providing such other and further relief as the Court deems
10 proper.

11 **VIII. DEMAND FOR JURY TRIAL**

12 Plaintiffs hereby demand a jury trial.

13 I hereby attest that all other signatories listed, and on whose behalf the filing is
14 submitted, concur in the filing's content and have authorized the filing.

15 Dated: September 27, 2023

16 Respectfully submitted,

17 COMMODITY FUTURES
18 TRADING COMMISSION

19 By:  _____

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