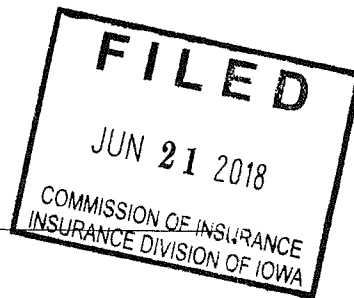


BEFORE THE IOWA INSURANCE COMMISSIONER



IN THE MATTER OF)	Division Case No. 96501
)	
JAMIE L. CRAGER,)	FINDINGS OF FACT,
DOB 06/14/XXXX; and)	CONCLUSIONS OF LAW,
)	AND FINAL ORDER
BLAZEFLY, INC.,)	
)	
Respondents)	

DECISION

Respondents Jamie L. Crager (“Crager”) and Blaze-fly, Inc. (“Blaze-fly”) are permanently ordered to cease and desist from offering or selling unregistered securities in this state, ordered to cease and desist from offering or selling securities without being registered as an agent in this state, barred from applying for registration as a securities agent, investment adviser, investment adviser representative, or broker-dealer in this state for a period of ten years, ordered to pay restitution in the amount of \$145,611.00, ordered to pay \$35,000.00 in civil penalties, and ordered to pay \$6,357.00 in costs of the investigation and prosecution because Crager and Blaze-fly unlawfully sold unregistered securities without being registered as a securities agent or broker-dealer, omitted material facts necessary to make statements not misleading, engaged in dishonest and unethical practices, failed to participate in this matter, and are enjoined or restrained from engaging in the business of securities in another state.

On March 28, 2018, the Iowa Insurance Division (“Division”) filed a statement of charges against Crager and Blaze-fly for alleged violations of the Iowa Uniform Securities Act found in Iowa Code Chapter 502. We issued a notice of hearing setting the matter for May 18, 2018. Neither Crager, nor Blaze-fly filed an Answer. Crager appeared *pro se* for the pre-hearing conference by telephone on May 4, 2018. Presiding over the matter, and during the conference,

Commissioner Doug Ommen advised Crager that he could not appear on behalf of Blazefly, Inc. Commissioner Ommen discussed the importance for Crager and Blazefly to file an answer and to provide witness and exhibit lists. Crager acknowledged that he was required to file an answer and provide a witness and exhibit list. As of the date of the hearing, Crager and Blazefly failed to do so.

The hearing was held on May 18, 2018 at 9:00 a.m. before Commissioner Ommen at the offices of the Iowa Insurance Division, Two Ruan Center, 601 Locust St., 4th Floor, Des Moines, Iowa. Neither Crager, nor Blazefly appeared. The Division was represented by Compliance Attorney Johanna Nagel and Assistant Commissioner for Enforcement Vincent Ledlow.

Commissioner Ommen was advised by the Division that Crager had telephoned the Division at approximately 7:30 a.m. on May 18, 2018 and spoken with the Commissioner's assistant. The Enforcement Bureau clerk advised Commissioner Ommen that Crager had stated that he would not be present at the hearing due to health reasons and that he could be reached by phone if needed. Crager provided a phone number to be called.

Commissioner Ommen dialed the provided telephone number for Crager shortly after calling the hearing to order at 9:00 a.m. on May 18th. No one answered. Commissioner Ommen left a message that the hearing had begun, that the Division was prepared to present its case, and that Crager could call in and participate by telephone. Neither Crager, nor a counsel for Blazefly appeared in person or by telephone.

At hearing, the following witnesses appeared and were examined: Connie Dykstra, Investigator, Iowa Insurance Division; and three investors: "PC", "AC" and "AR."

At hearing, the following exhibit was entered into the record for Respondents:

- A. Email from Commissioner's Assistant, J. Schurman, stating that Respondents would not be in attendance for the hearing (1 page)

At hearing, the following exhibits were entered into the record for the Division:

1. Certified Copy of Nebraska Department of Banking and Finance Findings of Fact, Conclusions of Law, and Order to Cease and Desist dated February 22, 2017 (5 pages)
2. Certified Copy of Nebraska Department of Banking and Finance Order Affirming Order to Cease and Desist dated April 24, 2017 (4 pages)
3. BlazeFly Consumer Deck (9 pages)
4. Convertible Promissory Note between Crager on behalf of BlazeFly, Inc. and Investors AC and PC dated October 19, 2013 (8 pages)
5. Convertible Promissory Note Signature Page for Crager on behalf of BlazeFly, Inc. and Investors AC and PC (1 page)
6. Investigator Interview Summary with Investors AC and PC (2 pages)
7. "Loan Summary" dated April 14, 2017 (2 pages)
8. BlazeFly Investor Summary Chart (4 pages)
9. Convertible Promissory Note between Crager on behalf of BlazeFly, Inc. and Investors AR and JR dated January 13, 2015 (6 pages)
10. Convertible Promissory Note between Crager on behalf of BlazeFly, Inc. and Investors JAW and JW dated February 27, 2014 (8 pages)
11. Convertible Promissory Note between Crager on behalf of BlazeFly, Inc. and Investors JD, MD, and MS dated December 1, 2014 (7 pages)
12. Letter from C. Dykstra to Crager and BlazeFly dated April 7, 2017 (2 pages)
13. Second Letter from C. Dykstra to Crager and BlazeFly dated May 11, 2017 (1 page)
14. Email from Shawn Ilg to C. Dykstra dated May 31, 2017 (1 page)
15. Administrative subpoena to BlazeFly, Inc. dated July 12, 2017 (4 pages)
16. July 27, 2017 email with attachment from Shawn Ilg to Division investigator, C. Dykstra (8 pages)
17. August 15, 2017 follow-up email from Division investigator, C. Dykstra, to Shawn Ilg (1 page)
18. May 22, 2017 email string between C. Dykstra and Robert Torres (1 page)
19. Patent (1 page)
20. October 23, 2015 email from Investor PC to Crager and Jason Bliley (1 page)
21. April 5, 2017 email string between Investor PC and Robert Torres (2 pages)
22. Checks to Investor PC for compensation (6 pages)
23. April 18, 2016 email string between Investor AC and Crager (2 pages)
24. September 21, 2016 email string between Investor AC and Crager (3 pages)
25. March 6, 2017 email from BlazeFly Investor Relations to BlazeFly Team (60 pages)
26. Division's costs of investigation and prosecution (2 pages)
27. Proof of delivery (1 page)

NOW THEREFORE, after reviewing the pleadings submitted in the case and the evidence received, the Commissioner issues the following findings of fact, conclusions of law, and orders:

I. FINDINGS OF FACT

1. The Commissioner of Insurance, Doug Ommen, directly and through his designees, administers and enforces Iowa Code Chapter 502—the Iowa Uniform Securities Act pursuant to Iowa Code § 502.601 and Chapter 191—50 Regulation of Securities Offerings and Those Who Engage in the Securities Business as the Securities Administrator (“Administrator”). (Charges ¶1).
2. During the course of the pre-hearing conference, Jamie L. Crager (“Crager”) stated that he had a new residence address of 7312 La Vista Drive, Papillion, Nebraska 68128.
3. Crager is owner and president of Blazefly, Inc. (“Blazefly”), a Nebraska corporation with a principal office address of 901 Sally Street, Papillion, Nebraska 68046. Blazefly’s registered agent is located at 1125 South 103rd Street, Suite 800, Omaha, Nebraska 68124. The Iowa Secretary of State does not have any information, including a certificate of authority to transact business in this state, for this entity. (Charges ¶3).
4. Crager and Blazefly may be served by providing a copy of this filing to the commissioner pursuant to Iowa Code § 502.611 and by mailing a copy to the last-known address or taking other reasonable steps to provide notice. (Charges ¶5).
5. Crager has operated in the state of Iowa as an unregistered securities agent since at least 2013. (Charges ¶6).
6. From at least 2013 to 2017, Crager and Blazefly engaged in acts and practices within the state of Iowa constituting cause for a cease and desist order; denial, revocation, suspension,

withdrawal, restriction, condition, or limitation of Crager's and BlazeFly's securities agent, broker-dealer, or investment adviser registration; and other relief under Iowa Code Chapter 502 and Iowa Administrative Code Chapter 50. (Charges ¶7).

7. Pursuant to Iowa Code § 505.28, Crager and BlazeFly have consented to the jurisdiction of the commissioner by committing acts governed by chapter 502. (Charges ¶8).

8. Crager is not and has never been registered as a securities agent, broker-dealer, investment advisor representative, or an investment advisor in the state of Iowa. (Charges ¶9; Testimony of C. Dykstra).

9. BlazeFly is described as a social and media platform that is a search engine application for personal and business use. (Charges ¶10; Testimony of C. Dykstra; Div.Ex.3).

10. Crager, as president of BlazeFly, offered and sold convertible promissory notes ("Convertible Notes"), securities, to at least nine Iowa consumers from 2013 to 2015. (Charges ¶11).

11. Each of the identified Convertible Notes includes a document, with identical language, entitled "Exhibit A, Investment Representation Statement and Market Stand-Off Agreement" ("Exhibit A"). (Charges ¶12; Div.Ex.4; Div.Ex.9; Div.Ex.10; Div.Ex.11).

12. Exhibit A includes a statement that the investor is acquiring the securities for investment purposes. (Charges ¶13; Div.Ex.4; Div.Ex.9; Div.Ex.10; Div.Ex.11).

13. The Convertible Notes were not registered as securities with the state of Iowa or with the United States Securities and Exchange Commission. (Charges ¶14; Testimony of C. Dykstra).

Investors AC and PC

14. Crager and BlazeFly offered and sold Convertible Notes to a married couple, whose identities are known, but are protected by order of the commissioner. We identify them here as “Investors AC and PC.”

15. Investor PC first learned about BlazeFly, in 2013, through an informational meeting led by Jason Bliley (“Bliley”). Bliley is an employee or an associate who worked on behalf of Crager and BlazeFly to facilitate the offer and sale of securities during the relevant time period. (Charges ¶15; Testimony of PC).

16. Subsequent to the informational meeting attended by Investor PC, Crager presented Investors AC and PC, husband and wife, with the opportunity to invest in his media platform, BlazeFly. This presentation occurred at the home of Investors AC and PC. (Charges ¶16; Testimony of AC and PC).

17. Investors AC and PC received a convertible promissory note with BlazeFly on October 19, 2013 (“AC/PC Note”). (Charges ¶17; Testimony of AC and PC; Div.Exs.4 and 5).

18. The face amount of the AC/PC Note was \$29,000.00. The AC/PC Note was to pay an interest rate of 6.0% per year. The principal and interest amounts became payable upon the note’s maturity date. The AC/PC Note had a one-year term with a stated maturity date of October 19, 2014. (Charges ¶18; Testimony of AC and PC; Div.Ex.4).

19. Additionally, the AC/PC Note included an automatic conversion term in the event that BlazeFly issued and sold shares of its Equity Securities (preferred stock) to investors in an equity financing on or before the repayment date. Investors AC and PC also received an option to convert the note and receive shares of BlazeFly common stock. (Charges ¶19; Div.Ex.4).

20. Crager, in his role as president, signed the AC/PC Note on behalf of Blazefly. (Charges ¶20; Div.Ex.5).

21. Both before and after making the investment, Crager told Investors AC and PC that several well-known millionaires and companies including Mark Cuban, Woodhouse Auto, Skinner Macaroni, and Wright's Media were interested and ready to invest in Blazefly. (Charges ¶21; Testimony of PC and AC; Testimony of C. Dykstra).

22. None of these parties invested in Blazefly. (Charges ¶22; Testimony of PC and AC; Testimony of AR).

23. Investors AC and PC did not receive any portion of the principal or interest payments from Crager or Blazefly when the amounts became due. (Charges ¶23; Testimony of PC and AC; Testimony of C. Dykstra).

24. Investor PC contacted Crager and asked if she could do anything to help with the investment. In response, Crager retained Investor PC from approximately January 2015 through April 2015 and paid her \$2,000 a month using Blazefly funds. (Charges ¶24; Testimony of PC; Div.Ex.23).

25. Investor PC asked Crager, multiple times, to give her specific work to do for Blazefly to justify the salary. Crager suggested that Investor PC do work for another company he owned, but Investor PC was uncomfortable getting paid with Blazefly funds for completing work for a separate company. (Testimony of PC).

26. Crager offered to pay people who brought in additional investors. Crager and Blazefly paid Investor PC for bringing in Investors JAW and JW. (Charges ¶25; Testimony of PC; Testimony of C. Dykstra).

27. Investor PC was not a registered securities agent. (Charges ¶26; Testimony of PC; Testimony of C. Dykstra).

28. Crager did not ask if Investor PC was a registered agent or advise Investor PC that registration was required. (Charges ¶27; Testimony of PC).

29. Investors AC and PC attempted to contact Crager on many occasions to request information about their investment, including but not limited to the current status, the amount of revenue generated, a description of what their investment money had been used for, and whether the first round of investors had been closed. Crager failed to provide the requested information. (Charges ¶28; Div.Ex.21; Div.Ex.25; Testimony of PC and AC; Testimony of C. Dykstra).

30. Crager and Blazefly did not provide regular updates or the total amount of money invested in Blazefly, at any point in time, despite requests by Investors AC and PC. (Charges ¶29; Testimony of PC and AC).

31. When Crager or Blazefly communicated with Investors AC and PC, it was always with entreaties to just wait a bit longer and promises that something huge was on the horizon that would make millions for the investors. (Charges ¶30; Testimony of PC and AC; Div.Ex. 24).

32. Investors AC and PC asked Crager to provide official financial accounts and investor reports, but Crager failed to provide monthly, quarterly, yearly, or even one official financial account for the Blazefly investment. (Charges ¶31; Testimony of PC and AC).

33. More than once, Investors AC and PC asked Crager and Blazefly for the return of their investment and were told that their investment money would be returned, but they never received the return of any portion of their investment. (Charges ¶32; Testimony of PC and AC; Div.Ex.22).

Investors JAW and JW

34. Crager and Blazefly offered and sold Convertible Notes to a second married couple, whose identities are known, but are protected by order of the commissioner. We identify them here as “Investors JAW and JW.”

35. Investors JAW and JW, husband and wife, first met Crager during a general solicitation presentation attended by 20-25 people at a bank. Investor PC assisted in arranging this presentation on behalf of Respondents. (Charges ¶33; Testimony of C. Dykstra; Div.Ex.8).

36. Crager led the presentation, providing documents regarding the opportunity to invest in Blazefly and addressing Investors JAW and JW’s questions. (Charges ¶34; Testimony of PC; Div.Ex.8).

37. Investors JAW and JW received a convertible promissory note with Blazefly on February 27, 2014 (“JAW/JW Note”). (Charges ¶35; Testimony of C. Dykstra; Div.Ex.8; Div.Ex.10).

38. The JAW/JW Note was in the amount of \$25,000.00. The JAW/JW Note was to pay an interest rate of 6.0% per year. The principal and interest amounts became payable upon the note’s maturity date. The JAW/JW Note had a stated maturity date of October 19, 2014. (Charges ¶36; Testimony of C. Dykstra; Div.Ex.8; Div.Ex.10).

39. Additionally, the JAW/JW Note included an automatic conversion term in the event that Blazefly issued and sold shares of its Equity Securities (preferred stock) to investors in an equity financing on or before the repayment date. Investors JAW and JW also received an option to convert the note and receive shares of Blazefly common stock. (Charges ¶37; Testimony of C. Dykstra; Div.Ex.10).

40. Investors JAW and JW did not receive any portion of the principal or interest payments from Crager or BlazeFly once the amounts became due. (Charges ¶38; Testimony of C. Dykstra; Div.Ex.10).

Investors JD, MD, and MS

41. Crager and BlazeFly offered and sold Convertible Notes to another group of individuals, whose identities are known, but are protected by order of the commissioner. We identify them here as “Investors JD, MD and MS.”

42. Crager convinced Investors JD, MD and MS to invest in his media platform, BlazeFly. (Charges ¶39; Testimony of C. Dykstra; Div.Ex.8).

43. Investors JD, MD and MS received a convertible promissory note with BlazeFly on December 1, 2014 to invest in Crager’s media platform (“JD/MD/MS Note”). (Charges ¶40; Testimony of C.Dykstra; Div.Ex.8; Div.Ex.11).

44. The JD/MD/MS Note was in the amount of \$25,000.00. The JD/MD/MS Note was to pay an interest rate of 5.0% per year. The principal and interest amounts became payable upon the note’s maturity date. The JD/MD/MS Note had a stated maturity date of September 29, 2015. (Charges ¶41; Testimony of C. Dykstra; Div.Ex.8; Div.Ex.11).

45. Additionally, the JD/MD/MS Note included an automatic conversion term in the event that BlazeFly issued and sold shares of its Equity Securities (preferred stock) to investors in an equity financing on or before the repayment date. Investors JD, MD, and MS also received an option to convert the note and receive shares of BlazeFly common stock. (Charges ¶42 Testimony of C. Dykstra; Div.Ex.11).

46. Investors JD and MD supplied \$18,750.00 and Investor MS supplied \$6,250.00 of the total investment of \$25,000.00. (Charges ¶43; Testimony of C. Dykstra; Div.Ex.8; Div.Ex.11).

47. Crager, in his role as president, signed the JD/MD/MS Note on behalf of Blazefly. (Charges ¶44; Testimony of C. Dykstra; Div.Ex.8; Div.Ex.11).

48. Investors JD, MD and MS did not receive any portion of the principal or interest payments from Crager or Blazefly once the amounts became due. (Charges ¶45 Testimony of C.Dykstra; Div.Ex.8).

Investors AR and JR

49. Crager and Blazefly offered and sold Convertible Notes to a married couple, whose identities are known, but are protected by order of the commissioner. We identify them here as “Investors AR and JR.”

50. Investors AR and JR, husband and wife, discussed Blazefly with Bliley in their home on or about January 12, 2015. Bliley advised that the minimum investment in Blazefly was \$25,000.00. (Charges ¶46; Testimony of AR).

51. Crager telephonically contacted Investor AR the following day to state that he would e-mail a contract to Investor AR. (Charges ¶47; Testimony of AR).

52. Investors AR and JR were told that the investment would be limited to thirty investors. (Testimony of AR).

53. Investors AR and JR entered into a convertible promissory note with Blazefly on January 13, 2015 to invest in Crager’s media platform, Blazefly. (“AR/JR Note”) (Charges ¶48; Testimony of AR; Testimony of C. Dykstra; Div.Ex.8; Div.Ex.9).

54. The AR/JR Note was in the amount of \$40,000.00. The AR/JR Note was to pay an interest rate of 6.0% per year. The principal and interest amounts became payable upon the note’s maturity date. The AR/JR Note had a one-year term with a stated maturity date of January 13, 2016. (Charges ¶49; Testimony of AR; Testimony of C. Dykstra; Div.Ex.8; Div.Ex.9).

55. Additionally, the AR/JR Note included an automatic conversion term in the event that BlazeFly issued and sold shares of its Equity Securities (preferred stock) to investors in an equity financing on or before the repayment date. Investors AR and JR also received an option to convert the note and receive shares of BlazeFly common stock. (Charges ¶50; Testimony of AR; Testimony of C. Dykstra; Div.Ex.9).

56. Neither Crager, nor BlazeFly, nor anyone associated with respondents, provided Investors AR and JR with any documents or information relating to any risks associated with the investment. (Charges ¶51; Testimony of C. Dykstra; Div.Ex.8).

57. Investors AR and JR did not understand the significance of BlazeFly being an unregistered security. (Charges ¶52; Testimony of AR; Div.Ex.8; Div.Ex.9).

58. Investors AR and JR did not understand the meaning of “accredited investor” nor was this term ever explained to them by Crager or BlazeFly or anyone associated with respondents. No one asked Investors AR and JR to provide information to demonstrate that they met the requirements of an “accredited investor.” (Charges ¶53; Testimony of AR; Testimony of C. Dykstra; Div.Ex.8).

59. AR and JR did not meet the requirements of an “accredited investor” under 17 CFR § 230.506 (United States Securities and Exchange Commission regulation). (Charges ¶54; Testimony of C. Dykstra; Div.Ex.8).

60. Crager, in his role as president, signed the AR/JR Note on behalf of BlazeFly. (Charges ¶55; Div.Ex.9).

61. Investors AR and JR did not receive any portion of the principal or interest payments from Crager or BlazeFly once the amounts became due. (Charges ¶56; Testimony of AR; Testimony of C. Dykstra; Div.Ex.8).

62. Investors AR and JR requested updates via email from Crager and Blaze-fly, but Crager and Blaze-fly failed to provide any documentation. (Charges ¶57).

63. Crager or Blaze-fly did not provide a list or number of individuals who had invested in Blaze-fly even though the opportunity was presented to Investors AR and JR as being limited to thirty investors. (Testimony of AR).

64. In approximately mid-July 2015, Investor AR approached Bliley for updates because Crager and Blaze-fly had failed to communicate. Bliley provided some updates to Investors AR and JR, but the provided information was “increasingly disjointed, bordering on the fanciful.” (Charges ¶58; Testimony of AR; Testimony of C. Dykstra; Div.Ex.8).

Division Investigation

65. An investigator with the Division’s Securities Bureau sent a letter to Crager on April 7, 2017 stating that Blaze-fly had not registered any securities offerings or filed any notice filings with the state of Iowa and requesting any information and documentation regarding any claims of exemptions from the registration or notice filing requirements. (Charges ¶59; Testimony of C. Dykstra; Div.Ex.12).

66. The letter also stated that Crager was not licensed to sell securities in Iowa and requested Crager to provide any claims and documentation of agent registration or exemption. (Charges ¶60; Testimony of C. Dykstra; Div.Ex.12).

67. Respondents did not produce any documentation in response to the Division’s letter until July 27, 2017, more than three months after the Division’s initial request and only after the Division sent a subpoena to Blaze-fly on July 12, 2017, ordering Blaze-fly to provide a statement and produce records regarding the offer and sale of unregistered securities. (Charges ¶61; Testimony of C. Dykstra; Div.Exs.13-16).

68. In the response submitted on behalf of Respondents, no claim of exemption from the registration of the offered and sold securities to Iowa investors was made, nor a claim of exemption from securities agent. Further, Respondents did not claim that the securities had been registered or that Crager had been registered as a securities agent. (Charges ¶¶62; Testimony of C. Dykstra; Div.Ex.16).

69. The response submitted on behalf of Crager and Blazefly included statements by Crager that he did not request evidence, verify, or even address whether any of the individuals who purchased securities in or through Blazefly were accredited investors. (Charges ¶¶63; Testimony of C. Dykstra; Div.Ex.16).

70. The response submitted on behalf of Respondents included statements by Crager that he did not provide any investors with a private placement memorandum (“PPM”). (Charges ¶¶64; Testimony of C. Dykstra; Div.Ex.16).

71. During the relevant time period, the Convertible Notes were not registered for sale as securities in Iowa. A claim of exemption has not been filed with the Division. (Charges ¶¶65; Testimony of C. Dykstra).

72. During the relevant time period, Crager was not registered as a securities agent. A claim of exemption has not been filed with the Division. (Charges ¶¶66; Testimony of C. Dykstra).

Nebraska Cease and Desist Order

73. On February 22, 2017 the State of Nebraska Department of Banking and Finance (“Nebraska”) issued Findings of Fact, Conclusions of Law, and Order to Cease and Desist (“Nebraska Order”) against Jamie Crager, Blazefly, Inc., and their affiliates, control persons, officers, directors, agents, employees, and successors. (Charges ¶¶67; Testimony of C. Dykstra; Div.Ex.1).

74. The Nebraska Order concluded that Respondents had sold unregistered securities, in the form of convertible promissory notes, to Nebraska residents and had acted as an unregistered broker-dealer or agent by effecting transactions in securities. (Charges ¶¶68; Testimony of C. Dykstra; Div.Ex.1).

75. Nebraska ordered Respondents to immediately cease and desist offering or selling securities until the securities are registered or an exemption shown. Nebraska also ordered Respondents to immediately cease and desist offering or selling securities until they have been registered as broker-dealers or agents with Nebraska. (Charges ¶¶69; Testimony of C. Dykstra; Div.Ex.1).

76. Nebraska issued a final order affirming the February Nebraska Order on April 24, 2017. (Charges ¶¶70; Testimony of C. Dykstra; Div.Ex.2).

Failure to Participate

77. The notice of hearing sent to Crager and Blazefly contained a notification that failure to file an answer within 20 days may result in default. (Notice ¶ 1).

78. The notice of hearing stated that a hearing on this matter was set to commence on May 18, 2018 at 9:00 a.m. (Notice ¶ 2).

79. Crager confirmed during the pre-hearing conference that he had received the Division's statement of charges and notice of hearing.

80. Crager stated during the pre-hearing conference that he understood that he was required to file an answer.

81. Crager and Blazefly failed to file an answer to the Division's statement of charges as required by Iowa Administrative Code rule 191—3.5(3).

82. Crager and Blaze fly are in default and all of the Division’s allegations and charges are uncontroverted, and deemed admitted pursuant to Iowa Administrative Code rule 191—3.22(1).

II. CONCLUSIONS OF LAW

COUNT I Unregistered Securities

83. Iowa Code § 502.301 prohibits any person from offering or selling a security in Iowa unless the security is a federal covered security; the security, transaction, or offer is exempted from registration; or the security is registered.

84. A “security” is defined in Iowa Code § 502.102(28) to include a note, debenture, evidence of indebtedness, or investment contract.

85. Under Iowa Code § 502.102(28)(d), a security includes:

an investment in a common enterprise with the expectation of profits to be derived primarily from the efforts of a person other than the investor and a ‘*common enterprise*’ means an enterprise in which the fortunes of the investor are interwoven with those of either the person offering the investment, a third party, or other investors.

(*See also* Iowa Administrative Code 191—50.1).

86. Courts, including the Iowa Supreme Court, have long held that the purpose of blue sky laws is to “protect the public from deceit perpetrated in the sale of securities.” *Midwest Management Corp. v. Stephens*, 291 N.W.2d 896, 901 (Iowa 1980); *State ex rel. Miller v. Pace*, 677 N.W.2d 761, 767 (Iowa 2004); *Renewable Fuels, Inc. v. Iowa Ins. Com’r*, 752 N.W.2d 441, 446 (Iowa Ct.App. 2008).

87. Additionally, courts have held that another primary purpose of blue sky laws is “the suppression of fraudulent practices and the protection of the public from their own gullibility.”

State ex rel. Miller v. Pace, 677 N.W.2d 761, 767 (Iowa 2004); *Lolkus v. VanderWilt*, 141 N.W.2d 600, 603 (Iowa 1966).

88. The Commissioner is authorized to issue administrative relief pursuant to Iowa Code § 502.604, which provides in pertinent part:

If the administrator [Commissioner] determines that a person has engaged, is engaging, or is about to engage in an act, practice, or course of business constituting a violation of this chapter or a rule adopted or order issued under this chapter or that a person has materially aided, is materially aiding, or is about to materially aid an act, practice, or course of business constituting a violation of this chapter or a rule adopted or order issued under this chapter, the administrator may do any of the following:

- a. Issue an order directing the person to cease and desist from engaging in the act, practice, or course of business or to take other action necessary or appropriate to comply with this chapter.

89. Crager broadly marketed, promoted, and discussed investment opportunities in Blazefly to numerous Iowa residents on multiple occasions.

90. Crager, on behalf of Blazefly, offered and sold notes to, at a minimum, the nine Iowa investors identified above from at least 2013 through 2015. At least four Convertible Notes were received by Iowa investors.

91. The Iowa investors were motivated by the expectation of receiving profits when they purchased the Blazefly securities.

92. The Convertible Notes are securities within the meaning of Iowa Code § 502.102(28).

93. Crager and Blazefly have not made any claim of exemption from registration under Iowa Code §§ 502.201, 502.202, or 502.203, nor have any notice filings been made with the Iowa Securities Bureau. The Convertible Notes are not exempt from registration under Iowa law, and they have not been registered.

94. Crager and Blazefly have not made any claim that the securities are federally covered securities nor are the securities, in fact, federally-covered securities.

95. Crager and Blazefly violated Iowa Code § 502.301 by offering and selling notes, that also meet the characteristics of debentures, evidences of indebtedness, and investment contracts, that were not registered with the Commissioner, and were neither federally covered securities, nor exempt from state registration.

96. Crager's and Blazefly's acts and practices have been in violation of Iowa Code § 502.301 subjecting Crager and Blazefly to an order to cease and desist engaging in such acts and practices, the imposition of civil penalties, the recovery of costs of investigation, and an order of restitution pursuant to Iowa Code § 502.604.

COUNT II
Unregistered Securities Agents

97. Iowa Code § 502.402(1) prohibits an individual from transacting business in Iowa as a securities agent unless the individual is a registered agent or is exempt under Iowa Code § 502.402(2).

98. Under Iowa Code § 502.402(3) an agent's registration is only effective while that agent is employed by or associated with a registered broker-dealer or an issuer that is offering, selling, or purchasing its securities in Iowa.

99. Crager has never been registered as a securities agent with the Commissioner.

100. Crager does not meet any of the registration exemptions found in Iowa Code § 502.402(2).

101. No individual associated with Blazefly, including Crager, was registered as an agent with the Commissioner at the times of the offers or sales, nor was Blazefly registered as a broker-dealer or an issuer with the Commissioner at the times of the offers or sales.

102. Crager transacted business in Iowa as an agent by effectuating the sales of securities, but was not registered as a securities agent during the relevant time periods.

103. Crager and Blazefly compensated individuals who facilitated the offering and selling of securities, knowing the individuals were not registered securities agents. Crager and Blazefly did not confirm that the individuals were registered securities agents. Furthermore, Crager and Blazefly failed to advise these individuals that they were required to become registered agents.

104. Under Iowa Code § 502.402(4), broker-dealers and issuers are prohibited from employing or associating with an unregistered agent who transacts business in Iowa on behalf of the broker-dealer or issuer.

105. Crager's and Blazefly's acts and practices have been in violation of Iowa Code § 502.402 subjecting Crager and Blazefly to an order to cease and desist from engaging in such acts or practices, the imposition of a civil penalty, the recovery of costs of investigation, and an order for restitution pursuant to Iowa Code § 502.604.

COUNT III
Securities Fraud - Omissions of Material Facts

106. Iowa Code § 502.501 prohibits a person in connection with the offer, sale, or purchase of a security from, directly or indirectly, omitting material facts necessary to make statements made, not misleading.

107. In offer, sale, or purchase of a security, Crager and Blazefly omitted material facts, including but not limited to, the following:

- a. Financial information and condition including accurate information regarding the assets, liabilities, profits, losses, cash flow, and other financial data of Blazefly;
- b. Investment offering and disclosure documents;
- c. Risk factors that could impact the investors' investment, including general risks of investments and risks unique to Crager, Blazefly, and the unregistered securities;
- d. That Crager was not registered to sell securities in Iowa;
- e. That the securities did not meet the requirements for a federal exemption from registration;
- f. Complete and accurate disclosures on the valuation and viability of a patent on the Blazefly platform;
- g. A detailed description of any and all fees or compensation taken by Crager, Blazefly, or any employee, associate, or related party from the proceeds of the investment; and
- h. That the investors should consult a financial adviser and/or an attorney to protect their interests regarding the investments.

108. Disclosure of these material facts was necessary to make the statements made, in light of the circumstances, not misleading. Investors were not provided with all the material information reasonably necessary to make an informed risk assessment and investment decision.

109. Crager's and Blazefly's acts and practices have been in violation of Iowa Code § 502.501 subjecting Respondents to an order to cease and desist from engaging in such acts or practices, the imposition of a civil penalty, the recovery of costs of investigation, and an order for restitution pursuant to Iowa Code § 502.604.

COUNT IV
Securities Fraud – Making Untrue Statements and Engaging in Acts, Practices and Courses of Business that Operate as a Fraud or Deceit

110. Iowa Code § 502.501 broadly prohibits fraudulent and deceptive acts, practices and schemes:

It is unlawful for a person, in connection with the offer, sale, or purchase of a security, directly or indirectly:

1. To employ a device, scheme, or artifice to defraud;
2. To make an untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; or
3. To engage in an act, practice, or course of business that operates or would operate as a fraud or deceit upon another person.

111. Crager and Blaze-fly misrepresented the amount of expected returns and the interest of various millionaires and celebrities in order to induce investors to invest with Crager and Blaze-fly.

112. Crager and Blaze-fly misrepresented to Investors AR and JR that the investment would be limited to thirty investors even though they never provided the actual numbers of investors and the provided updates included statements that Crager and Blaze-fly were continually seeking additional investors.

113. Crager and Blaze-fly recommended an investment strategy without having a reasonable basis to believe that the recommendation was suitable for the Iowa investors. Crager and Blaze-fly did not ascertain the investment profile for the Iowa investors.

114. Recommending a transaction or investment strategy involving a security or securities without having a reasonable basis to believe that the transaction or investment strategy is suitable for the customer operates as a fraud and deceit upon investors. The reasonable basis is based upon the information obtained through the reasonable diligence of the member or associated person to ascertain the customer's investment profile.

115. Despite requests from investors, Crager and Blazefly did not provide standard investment statements or documents which described corresponding profit and losses. Nor did Crager and Blazefly provide any accounting to specifically detail what the investors' money had been used for or where it had gone.

116. At least Investors AC and PC made repeated oral and written requests for updates on their investment performance and then later, repeated requests for the entirety of the investment money to be returned, but Crager and Blazefly failed to provide any account statements and failed to return the original investment despite assurances that Crager and Blazefly would refund Investors AC and PC the entire amount invested.

117. Failing to respond to reasonable investor requests for updates, failing to furnish to investors, upon reasonable request, information to which the investor is entitled, and failing to respond to a customer's written request or complaints, are forms of "lulling," all operating as a fraud and deceit upon investors.

118. Crager's and Blazefly's made untrue statements of material fact and engaged in acts, practices and courses of business that operated or would operate as frauds or deceits upon investors in violation of Iowa Code § 502.501 subjecting Crager and Blazefly to an order requiring Crager and Blazefly to cease and desist from engaging in such acts or practices; the imposition of a civil penalty; the recovery of costs of investigation; and an order for restitution pursuant to Iowa Code § 502.604.

COUNT V

Securities Fraud: Omitting to disclose Nebraska Order

119. Iowa Code § 502.501 prohibits a person from, directly or indirectly, omitting material facts necessary to conclude that the statements were not misleading in connection with the offer, sale, or purchase of a security.

120. Crager and Blaze fly have been prohibited by the state of Nebraska from offering or selling securities that have not been registered and from offering or selling securities without being registered as broker-dealers or agents as a result of the February and April 2017 orders.

121. The Commissioner is authorized to issue administrative relief under the authority Iowa Code § 502.604, which provides in pertinent part:

If the administrator [Commissioner] determines that a person has engaged, is engaging, or is about to engage in an act, practice, or course of business constituting a violation of this chapter or a rule adopted or order issued under this chapter or that a person has materially aided, is materially aiding, or is about to materially aid an act, practice, or course of business constituting a violation of this chapter or a rule adopted or order issued under this chapter, the administrator may do any of the following:

- a. Issue an order directing the person to cease and desist from engaging in the act, practice, or course of business or to take other action necessary or appropriate to comply with this chapter.

(emphasis added.)

122. Crager and Blaze fly may continue to offer and sell Convertible Notes, and the failure to disclose the Nebraska order in any offer or sale of a security by Crager or Blaze fly in Iowa would violate Iowa Code § 502.501, thus subjecting Crager and Blaze fly to an order requiring Crager and Blaze fly to cease and desist from engaging in such acts or practices pursuant to Iowa Code §502.604.

III. CIVIL PENALTIES

123. Violations of the Iowa Uniform Securities Act found in Iowa Code Chapter 502, as found in Counts I to V, subject Respondents to an order of civil penalties.

124. Under Iowa Code § 502.604 civil penalties shall not exceed ten thousand dollars for a single violation or one million dollars for more than one violation.

125. Respondents offered unregistered securities to at least twenty-nine people in Iowa.

126. Respondents sold unregistered securities to at least nine Iowa investors.
127. Testimony and evidence received indicates that unregistered securities may have been sold to additional Iowa investors.
128. Respondents were not registered to offer or sell securities at any of the times of offers or sales.
129. Respondents omitted material facts on at least nine occasions.
130. Respondents knowingly paid at least one unregistered individual for facilitating the offer and sale of securities.
131. Assessing ten thousand dollars for every known and undisputed violation, the Commissioner may order civil penalties against each Respondent in excess of \$770,000.00.
132. The Commissioner has authority and discretion to impose a civil penalty commensurate with the conduct that gave rise to this action and which reflects the remedial nature of such penalties.

IV. ORDERS

IT IS THEREFORE ORDERED that Crager, Blazefly, and any agents, representatives, or any person acting with respondents, pursuant to Iowa Code §§ 502.301 and 502.604, are prohibited from offering or selling any security, including but not limited to notes or investment contracts, unless Crager or Blazefly have provided written notice to the Commissioner ninety days prior to any offer or sale that the security is registered, federally covered, or exempt from registration.

IT IS FURTHER ORDERED that Crager, Blazefly, and any agents, representatives, or any person acting with respondents, pursuant to Iowa Code §§ 502.042 and 502.604, are

prohibited from transacting business as a securities agent or broker-dealer unless registered in this state as a securities agent or broker-dealer.

IT IS FURTHER ORDERED that Crager, Blaze-fly, and any agents, representatives, or any person acting with respondents, pursuant to Iowa Code §§ 502.412 and 502.604, are barred from applying for registration in this state as an investment adviser, investment adviser representative, securities agent, or broker-dealer for a period of ten years from the date of this order.

IT IS FURTHER ORDERED that Crager, Blaze-fly, and any agents, representatives, or any person acting with respondents, pursuant to Iowa Code §§ 502.501 and 502.604, are prohibited in connection with the offer or sale of any security from omitting any material facts necessary to make statements not misleading, including but not limited to the following:

- a. Complete and accurate financial information and condition including assets, liabilities, profits, losses, cash flow, and other financial data of Crager and Blaze-fly;
- b. Description of any legal judgments or regulatory orders or actions against either Crager or Blaze-fly, individually or collectively;
- c. Detailed description of all the terms of the investment;
- d. Detailed description of all risks involved in the investment;
- e. Detailed description of the use of investment funds;
- f. Detailed description of any and all fees or compensation taken by Respondents or any employee or associated party; and
- g. The registration status of Crager and Blaze-fly and any party offering or selling securities on Crager's or Blaze-fly's behalf in Iowa.

IT IS FURTHER ORDERED that Crager and Blazefly are jointly and severally liable for and shall pay to the State of Iowa, Insurance Division, investor restitution in the amount of \$145,611.00, payable to the Settlement Fund of the Iowa Insurance Division pursuant to Iowa Code § 502.604(4). Upon receipt, the Division may distribute these funds to investors referenced in the findings of fact as appropriate to further the purposes of Iowa Code § 502.604.

IT IS FURTHER ORDERED that Crager and Blazefly are jointly and severally liable for and shall pay to the State of Iowa, Insurance Division, a civil penalty in the amount of \$35,000.00 in civil penalties pursuant to Iowa Code § 502.604(4), to be deposited to the investor education and financial literacy training fund as required by Iowa Code § 502.601(5).

IT IS FURTHER ORDERED that Crager and Blazefly are jointly and severally liable for and shall pay to the State of Iowa, Insurance Division, \$6,357.00 in costs of the investigation and prosecution pursuant to Iowa Code § 502.604(5).

SO ORDERED on the 19th day of June, 2018.



DOUGLAS M. OMMEN
Iowa Insurance Commissioner

Copies to:

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Respondent, Pro Se

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Two Ruan Center
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Attorney for Division

NOTICE OF PENALTIES FOR WILLFUL VIOLATION OF THIS ORDER

YOU ARE NOTIFIED that acting as a securities agent, investment adviser, investment adviser representative, or broker-dealer, as defined in Iowa Code Chapter 502, in violation of this Order, is a felony under Iowa Code § 502.508, subjecting you to punishment of imprisonment, jail, fines, or any combination of custody and fines.

YOU ARE ALSO NOTIFIED that any person who violates this order may be subject to administrative and civil penalties pursuant to Iowa Code § 502.604. The commissioner may petition the district court to hold a hearing to enforce the order as certified by the commissioner. The district court may assess a civil penalty against the person in an amount not less than three thousand dollars but not greater than ten thousand dollars for each violation, and may issue further orders as it deems appropriate.

NOTICE OF FINAL ORDER IMPACT

A final order of license probation, suspension, or revocation or a cease and desist order may adversely affect other existing business or professional licenses and result in license revocation or disciplinary action.

A final order in an administrative action does not resolve any potential criminal or civil violations or causes of action that might arise from the same or similar conduct that is the subject of this contested case. It may result in criminal law enforcement authorities, including the fraud bureau of the Iowa Insurance Division, pursuing a criminal investigation or prosecution of potential criminal law violations.


CERTIFICATE OF SERVICE

County of Polk)
)
State of Iowa)

The undersigned affiant certifies under penalty of perjury and pursuant to the laws of Iowa, on the 21st day of June, 2018, the foregoing order was delivered to the United States Postal Service, postage prepaid, for certified mail service to:

Jamie Crager
7312 La Vista Drive
La Vista, NE 68128
RESPONDENT

Koley Jessen P.C., LLO
1125 South 103rd St.
Suite 800
Omaha, NE 68124
REGISTERED AGENT FOR BLAZEFLY, INC.


Julianne Lawrence
Julianne Lawrence
Iowa Insurance Division