



STATE OF UTAH
DEPARTMENT OF COMMERCE | DIVISION OF SECURITIES
SECURITIES COMMISSION | RM 451
PENDING MEETING MINUTES | August 12, 2023 | 9:00 AM – 2:30 PM

SECURITIES COMMISSION

Lyndon Ricks
Lyle White
Mark Zimbelman
Dawn Dachenhausen

Chair
Commissioner
Commissioner
Commissioner

DIVISION OF SECURITIES

Jason Sterzer
Francswai Grayson
Ashlee Buchholz
Bryan Cowley
Ken Barton
Liz Blaylock
Aaron Burgoyne
Tarrah McMillan
Cidne Orchard
Chip Lyons
Tyler Hardman
David Neuenswander
Victor Rixe
Gary Dewey

Director, Division of Securities
Assistant Director
Administrative Assistant
Manager of Licensing and Registration
Manager of Compliance
Manager of Enforcement
Investigative Accountant
Administrative Office Specialist
Enforcement Investigator
Securities Analyst
Securities Analyst
Securities Examiner
Securities Examiner
Securities Investigator

ASSISTANT ATTORNEY GENERALS

Jen Korb
Stephen Gilles
Mark Holliday
Mike Gadd
Douglas Crapo

Counsel for Division
Counsel for Division
Counsel for Division
Counsel for Division
Counsel for Division

OTHERS ATTENDING

Melanie Hall
Nathaniel Gallegos
Su Chon
Brittany Griffin
Susan Spiers
Jamie Argyle
Christy Tribe

Department of Commerce
Administrative Law Judge
Administrative Law Judge
Utah State Treasurers Office
Utah State Treasurers Office
Junior Achievement Utah
Junior Achievement Utah

Chairman Ricks commenced the Securities Commission meeting.

1. Approval of April 13, 2023 meeting minutes.
- ✓ Commissioner White made a motion to approve, Commissioner Dachenhausen seconded the motion. The Commission unanimously approved the meeting minutes.

DIRECTOR'S REPORT**Jason Sterzer**

Director Sterzer reviewed several changes implemented within the Division including receiving targeted funding for examiners and analysts, the addition of four new investigators, working with the Department and the legislature to reduce licensing and registration fees, the creation and implementation of an annual compliance fraud prevention sweep examination, initiation of a market research study to inform the Division regarding investing patterns as well as causation of investment fraud, restructure of the Division creating the Senior Examiner, Senior Investigator and Assistant Division Director positions, developed and implemented a training and promotional plan for examiners and investigators allowing them to receive promotions from Investigator I to Investigator II and III and to Lead Investigator offering staff a progressive career path, and modernized and expanded the investor education and outreach section.

Director Sterzer recognized the hard work and contributions of his management team in accomplishing these achievements. Director Sterzer announced that Francswai Grayson had been promoted to the position of Assistant Division Director and highlighted her professional experience including her education, legal experience, securities industry experience, regulatory experience and previous positions held.

The Division organized and hosted two first-ever events. First, a Licensee Caravan event and most recently, the Symposium discussing fraud. The Division received positive feedback regarding the event and it was a great success. The Division's staff participated along with speakers and panelists from federal and state agencies, as well as the commission.

Finally, Director Sterzer provided an update on the appointment of two new members of the commission. The replacements for Peggy Hunt and Lyle White were approved by the Governor's office and they will be presented before the Senate for confirmation.

SECTION REPORTS**Licensing and Registration****Bryan Cowley**

Mr. Cowley highlighted the work of Corporation Finance Specialist, Trista Lopez. He reviewed her responsibilities, which include:

- Processing and reviewing notice filings

- Reviewing and assigning exemptions and registrations.
- Processing funds for all filing fees.
- Communicating and engaging with the public and issuers.
- Submitting monthly Success report and numbers for the Director’s report.
- Helping to get Salesforce Utah Securities Database working properly.

Mr. Cowley recognized her contributions to the Division and thanked her for her service to Utahns.

Compliance

Ken Barton

Mr. Barton reported the Compliance Section’s Rolling-12 Month Exam Statistics: The Compliance Section has opened 357 examinations and closed 300 exams during the last twelve months. Of the 357 exams opened, 30 were “cause exams” initiated by an investor complaint or regulatory referrals, 32 were full routine exams, 264 were special routine exams, 30 were investment adviser licensing application examinations, and 1 was Vulnerable Adult firm reports warranting further Division investigation. Of the 300 examinations closed during the period, 299 were closed by exit/deficiency letter with no additional agency action, and 1 was closed by referral for agency action.

The Division received two (2) Protection of Vulnerable Adults from Financial Exploitation Act (“PVAFE Act”) reports from securities firms in July. The rolling 12-month total for PVAFE Act reports as of July 31 was 22. Account takeovers involving imposter scams have been on the rise in vulnerable adult reports received. This is consistent with trends happening throughout the United States. The Federal Trade Commission found that imposter scams are the second most reported category of complaints, with only identity theft having more frequent complaints. Reports are also expressing concerns about the increased use of artificial intelligence, to make imposter scams even more believable to victims with better targeting of specific scam stories for specific victims, and less detectable phishing techniques to gather personal private information.

Mr. Barton reported that the Division has signed settlement agreements with four respondents involved in administrative actions to be presented to the Commission for approval. He further reported that three defendants in criminal actions brought by the Compliance Section have had criminal charges bound over for trial in a July 31, 2023, preliminary hearing.

Finally, Mr. Barton reported that the Compliance Section would begin the Special Examination process for the fiscal year 2023-2024 in October 2023. The Division examination module will focus on registered investment adviser cybersecurity requirements. In addition to the exam module, the Special Examination will have an educational component covering the new SEC marketing rules for investment advisers. Both of these issues are hot topics at Division outreach events.

Enforcement

Liz Blaylock

Ms. Blaylock reported that the Enforcement Section hired three new investigators to fill its four vacancies and introduced John Davis, Gary Dewey, and Ryan Staats. Enforcement currently has 54 open cases under investigation with eight opened in the past month, and 21 open legal actions including criminal, civil and administrative cases. Ms. Blaylock reported an uptick in complaints

this quarter with 22 Investigative complaints received from May to present. Cryptocurrency, imposter scams, and pig butchering are a growing trend among these complaints. Over the quarter, the Utah Attorney General's criminal prosecution unit filed one criminal case. There are at least five other criminal cases referred and screened with the unit awaiting charges to be filed. The prosecution unit was focused on a four-day preliminary hearing in a major criminal case involving 13 defendants, hundreds of victims and hundreds of millions of dollars. The defendants in this case are accused of selling two nationwide Ponzi schemes. Each defendant was bound over to trial on various counts.

Enforcement is working through a backlog of investigations awaiting assignment and completed cases pending legal action. The multiple Stipulation and Consent Orders being presented before the Commission are reflective of the work being done to move cases through. Ms. Blaylock created a prioritization scale to address the backlog of cases to identify cases that merit more attention and resources.

Investor Education

Francswai Grayson

Ms. Grayson reported that the Division hosted its first licensee caravan and fraud symposium to promote outreach efforts amongst state and federal securities licensees. The licensee caravan was held in April at the Utah Department of Commerce. The purpose of the licensee caravan was to encourage dialogue between the Division's state-covered licensees and the Division. During the caravan, each section manager provided an update on Division section priorities and answered questions from participants. The caravan concluded with a panel to answer licensee questions.

The Division also hosted its first fraud symposium entitled "Decoding Fraud and Building Trust: A Conversation with Regulators" at the Hyatt Regency Salt Lake City. The purpose of the fraud symposium was to encourage cooperation and dialogue between state and federal covered licensees and the Division's federal regulatory partners. The Division presented four panels during the symposium with panelists from the SEC, FBI, DOJ, CFTC, FINRA, FTC, REACT task force, UT Securities Division, and UT Consumer Protection Division. U.S. Attorney Trina Higgins was the keynote speaker. The event was well attended and we received very positive feedback from attendees regarding the content and overall organization of the event.

Ms. Grayson reported that in May, the Department of Commerce launched a major marketing campaign with a focus on addressing affinity fraud. The Scam-a-lot campaign has since been featured on the sides of bus, on billboards, radio and TV ads, and movie theater commercials. Each "Knights of Scam-a-lot" character represents a major area of fraud in Utah. A landing page was also created to direct viewer's attention to the scams.utah.gov website where they can obtain more information on red flags of fraud, ways to submit a complaint, and other resources.

The Division also engaged Love Communications to perform market research to understand how, why and by who Utahns are defrauded. The market research includes a quantitative approach and a qualitative approach which included more in-depth responses from focus groups. The Division was able to be very involved in the process to create and gather the survey

data. The market research will inform the Division regarding how Utahns are defrauded, who defrauds Utahns, how prevalent is affinity fraud, how Utahns want to be educated about investment fraud, and whether Utahns know where to go for resources and support both before and after a fraud encounter. Focus groups were completed last week. Once the research company is able to aggregate results and complete a final report, the Division will share the results of the survey.

Year to date, the Division has performed 47 outreach events, which is a rate of about 5-6 events each month, and have reached over 8,000 attendees at outreach events. We have 30 events scheduled so far for the remainder of this year and have completed about 70% of our 2023 outreach plan. Even the impact of the Division's social media presence is consequential: social media Tweet impressions: 52,191 and profile visits: 7,332. The results from the marketing survey help us better inform our outreach approach.

GRANT REQUESTS FROM THE SECURITIES INVESTOR EDUCATION AND TRAINING FUND**10:10 AM**

Utah State Treasurers Office

Presenter Susan Spiers/Brittany Griffin

A \$15,000 grant was requested for the Stock Market Game used to educate K-12 youth regarding investing.

- ✓ Commissioner White made motion to approve and Commissioner Zimbelman seconded the motion. Commission unanimously approved the grant request.

Utah Financial Empowerment Coalition

Presenter Susan Spiers/Brittany Griffin

A \$10,000 grant was requested for the Women in the Money annual event put on by the Utah State Treasurers Office. The money is used to help promote the event which will be held September 28-29, 2023.

- ✓ Commissioner Zimbelman made motion to approve and Commissioner White seconded the motion. Commission unanimously approved the grant request.

Junior Achievement Utah

Presenter Christy Tribe

A \$15,000 grant was requested to support 10 additional classes teaching personal finance principles.

- ✓ Commissioner White made motion to approve and Commissioner Zimbleman seconded the motion. Commission unanimously approved the grant request.

Utah Jump Start Coalition

Presenter Susan Spiers

A \$10,000 grant was requested to support financial literacy classes in High Schools.

- ✓ Commissioner Dauchenhausen made motion to approve and Commissioner White seconded the motion. Commission unanimously approved the grant request.

2. EDUCATION FUND EXPENDITURE REQUEST

Aaron Burgoyne

Mr. Burgoyne presented the Investor Education and Enforcement Fund expenditure report and expenditure request.

- ✓ Commissioner Zimbelman made a motion to approve and Commissioner Dachenhausen seconded the motion. The Commission unanimously approved the Education Fund Expenditure Request.

CONSIDERATION AND APPROVAL OF PROPOSED ORDER(S)

- 1. Richard Shane Ewell** **SD-23-0005** **Stipulation and Consent Order**
Chip Lyons presenting
 - ✓ Commissioner White made motion to approve and Commissioner Zimbelman seconded the motion. The Commission unanimously approved the Stipulation and Consent Order.
- 2. Thomas E. Johnson** **SD-23-0006** **Stipulation and Consent Order**
Chip Lyons presenting
 - ✓ Commissioner White made motion to approve and Commissioner Dachenhausen seconded the motion. The Commission unanimously approved the Stipulation and Consent Order.
- 3. Eric Francisco Bullock** **SD-23-0011** **Stipulation and Consent Order**
Chip Lyons presenting
 - ✓ Commissioner White made motion to approve and Commissioner Zimbelman seconded the motion. The Commission unanimously approved the Stipulation and Consent Order.
- 4. Daniel J. Matheson** **SD-23-0010** **Stipulation and Consent Order**
Chip Lyons presenting
 - ✓ Commissioner White made motion to approve and Commissioner Dauchenhausen seconded the motion. The Commission unanimously approved the Stipulation and Consent Order.
- 5. Robin Hood** **SD-23-0015** **Stipulation and Consent Order**
Chip Lyons Presenting
 - ✓ Commissioner Ricks made a motion to approve and Commissioner White seconded the motion. The Commission unanimously approved the Stipulation and Consent Order.
- 6. Stephen Edward Gardner** **SD-22-2021** **Stipulation and Consent Order**
Stephen Gillies Presenting
 - ✓ After the Division presentation and discussion, the Commission made a motion to enter into a closed session. The motion was unanimously approved. After consideration, the Commission rejected the Stipulation and Consent Order.
- 7. Marvin Cartwright** **SD-22-0017** **Stipulation and Consent Order**
Tyler Hardman Presenting

✓ Commissioner White made a motion to approve and Commissioner Dachenhausen seconded the motion. The Commission unanimously approved the Stipulation and Consent Order.

**8. Carl Maybin/Kashin Inc SD-21-0011 Stipulation and Consent Order
Tyler Hardman Presenting**

✓ Commissioner Ricks made a motion to approve and Commissioner White seconded the motion. The Commission unanimously approved the Stipulation and Consent Order.

**9. Ronald Duane Wells SD-23-0023 Stipulation and Consent Order
Tyler Hardman Presenting**

✓ Commissioner Dachenhausen made a motion to approve and Commissioner Zimbelman seconded the motion. The Commission unanimously approved the Stipulation and Consent Order.

**10. Mark Robert Sansom SD-19-0044 Stipulation and Consent Order
Jen Korb Presenting**

✓ Commissioner Ricks made a motion to approve and Commissioner Dachenhausen seconded the motion. The Commission unanimously approved the Stipulation and Consent Order.

**11. Dale Rogers SD-23-0004 Stipulation and Consent Order
Mark Holliday Presenting**

✓ Commissioner Zimbelman made a motion to approve and Commissioner White seconded the motion. The Commission unanimously approved the Stipulation and Consent Order.

MEETING ADJOURNED

2:30 PM

The next scheduled Securities Commission meeting is October 12, 2023

APPROVED:

CHAIRMAN RICKS

DATE