



STATE OF UTAH

DEPARTMENT OF COMMERCE | DIVISION OF SECURITIES

COMMISSION MEETING | OCTOBER 12, 2023 | PENDING MINUTES

SECURITIES COMMISSION

Lyndon Ricks

Mark Zimbleman

Dawn Dachenhausen

Dan Debry

Lyle White

DIVISION OF SECURITIES

Jason Sterzer

Liz Blaylock

Ken Barton

Bryan Cowley

Cidne Orchard

Chip Lyons

Tyler Hardman

Aaron Burgoyne

Ashlee Buchholz

Tara McMillan

ASSISTANT ATTORNEY GENERALS

Jen Korb

Mike Gadd

Douglas Crapo

Stephen Gillies

ADMINISTRATIVE JUDGE

Su Chon

OTHERS IN ATTENDANCE

Smith Stubbs

Marie White

Eric Koford

Tara Spalding

Welcome and call to order

9:00AM

1. Approval of August 10, 2023 meeting minutes.
Commissioner Dachenhausen made motion to approve, Commissioner Zimbleman Seconded the motion.
Commission unanimously approved the meeting minutes.

The Division and Commission recognized Lyle White and swore in new Securities Commissioner, Dan Debry.

Director Sterzer presented a plaque to Commissioner White and expressed gratitude for his service.

2. CONSIDERATION AND APPROVAL OF PROPOSED ORDER(S)

PROPOSED ORDER	DOCKET ORDER	IN THE MATTER OF	PRESENTER
Stipulation and Consent Order	SD-23-0015	Jaouni Enterprises, LLC	Stephen Gillies
Stipulation and Consent Order	SD-23-0016	Mohammed Ibrahim Joauni	Stephen Gillies
Commissioner Zimbleman made motion to approve, Commissioner Dachenhausen seconded the motion. Commission unanimously approved the Stipulation and Consent Order.			
Stipulation and Consent Order	SD-22-0015	Stephen Edward Gardner	Stephen Gillies
Commissioner Dachenhausen made motion to approve, Commissioner Zimbleman seconded the motion. Commission unanimously approved the Stipulation and Consent Order.			
Stipulation and Consent Order	SD-23-0017	Todd Michael Smithson	Tyler Hardman
Stipulation and Consent Order	SD-23-0018	Smithson Financial Group	Tyler Hardman
Commissioner Dachenhausen made motion to approve, Commissioner Zimbleman seconded the motion. Commission unanimously approved the Stipulation and Consent Order.			
Stipulation and Consent Order	SD-23-0019	Seller's Life, LLC	Tyler Hardman
Stipulation and Consent Order	SD-23-0020	William Dane Deletti	Tyler Hardman
Commissioner Ricks made motion to approve, Commissioner Zimbleman seconded the motion. Commission unanimously approved the Stipulation and Consent Order.			
Stipulation and Consent Order	SD-23-0021	Skyler Lund Fishback	Tyler Hardman
Commissioner Zimbleman made motion to approve, Commissioner Ricks seconded the motion. Commission unanimously approved the Stipulation and Consent Order.			
Stipulation and Consent Order	SD-23-0027	Raymond James and Assoc.	Chip Lyons
Stipulation and Consent Order	SD-23-0028	Raymond James Financial	Chip Lyons
Commissioner Zimbleman made motion to approve, Commissioner Dachenhausen seconded the motion. Commission unanimously approved the Stipulation and Consent Order.			
Stipulation and Consent Order	SD-23-0029	Tru Bullion, LLC	Chip Lyons
Stipulation and Consent Order	SD-23-0030	Anthony Allen Anderson	Chip Lyons
Commissioner Zimbleman made motion to approve, Commissioner Dachenhausen seconded the motion. Commission unanimously approved the Stipulation and Consent Order.			

GRANT REQUESTS FROM THE SECURITIES INVESTOR EDUCATION AND TRAINING FUND

GRANT REQUESTS	PRESENTER
3. Wayne Brown Institute dba Kinect Capital \$25,000 grant requested to teach financial literacy Commissioner Ricks made motion to approve, Commissioner Debry seconded the motion. Commission unanimously approved the Stipulation and Consent Order.	Tara Spalding
4. Utah Financial Planning Association	Erik Koford

\$10,000 grant requested to teach financial literacy to underprivileged adults.

Commissioner Zimbleman made motion to approve, Commissioner Debry seconded the motion. Commission unanimously approved the Stipulation and Consent Order.

5. Education Fund Expenditure Request

Aaron Burgoyne

Mr. Burgoyne presented the Investor Education and Enforcement Fund Expenditure Report and Expenditure request.

DIRECTOR'S REPORT

Jason Sterzer

Director Sterzer began his report by noting that his report was combined with the Communication and Outreach report. Assistant Division Director, Francswai Grayson was in St. George for an outreach event and was unable to join the commission meeting. Director Sterzer highlighted that the Division had engaged Love Communications to perform market research to understand how, why, and by whom Utahns are defrauded. Love Communications completed surveys and reported the results of their market research to the Division. The study surveyed over 1,000 individuals resulting in 95% statistical confidence. It also included four focus groups. Director Sterzer discussed several takeaways from the market research, including types of investment products Utahns are being solicited to purchase, what type of due diligence or actions Utah residents are performing before investing, who is soliciting investors, and how Utahns want to be engaged and educated about investment fraud.

Director Sterzer concluded his report with the Division's year to date outreach statistics: the Division has performed 58 outreach events, which is a rate of about 5 events each month, and has reached over 16,437 attendees at outreach events. 10 events are scheduled through the remainder of the year. The Division has completed 85% of our 2023 outreach plan. For two weeks in October, the Division will attend its biggest event this year in St. George, the Huntsman World Senior Games for athletes aged 50+. The games are expected to attract over 11,500 participants this year. This year, the Division rolled out the Law Enforcement Initiative to provide training to police departments regarding recognizing and investigating investment fraud. That initiative will continue but in 2024 the Division will also be rolling out its faith-based initiative which will inform attendees regarding investment fraud through affinity.

SECTION REPORTS

→ Communications and Outreach

Jason Sterzer

→ Licensing and Registration

Bryan Cowley

Mr. Cowley covered the great work the Licensing and Corporation Finance Section has completed as represented in the month of September's Director Report. Licensing received and examined 3 Broker Dealer Applications, 825 Broker Dealer Agent applications and 120 Investment Adviser Representative applications. Prior to licensure, approximately 33 Firm, Agent and/or Investment Representative applications were elevated for additional examination.

Furthermore, Licensing received 6 Registered Investment Adviser Firm applications, completed 8 applications and has 23 applications pending. Corporation Finance received and examined 605 filings which included, 6 Registrations by Coordination, 2 Utah Exemption, 427 Mutual Fund/UITs, 166 Form D Rule 506 and 4 Regulation A Tier 2 filings. Furthermore, 12 Rule 12805 Arbitration reviews were completed.

Mr. Cowley noted that the section has a goal to process all applications in a timely manner. Securities filings are processed within 10 days for most filings and 20 working days for registrations.

→ Compliance

Ken Barton

Mr. Barton highlighted the Section's Rolling-12 Month Exam Statistics as of October 1, 2023: The Compliance Section opened 334 examinations and closed 283 exams during the last twelve months. Of the 334 exams opened, 33 were "cause exams" initiated by an investor complaint or regulatory referrals, 29 were full routine exams, 241 were special routine exams, 30 were investment adviser licensing application examinations, and 1 was Vulnerable Adult firm reports warranting further Division investigation. Of the 283 examinations closed during the period, 281 were closed by exit/deficiency letter with no additional agency action, and 2 were closed by referral for agency action. The rolling 12-month Protection of Vulnerable Adults from Financial Exploitation Act ("PVAFE Act") reports from securities firms as of October 1, 2023, was 31. The PVAFE Act is part of the Utah Uniform Securities Act and is used to encourage broker-dealer/investment adviser firms and agents to report a reasonable belief of financial exploitation; every report requires a report to the Division of Securities and Utah's Adult Protective Services.

Mr. Barton recognized the excellent work and announced the promotion of Division Employee Sean Fuller to Lead Examiners. With this promotion, Sean is the first Examiner to complete the rigorous Division Promotional Plan. To become a lead examiner, Sean had to complete both the Securities Examiner II and Securities Examiner III Promotional Plan Requirements. The conditions to become lead examiner included Sean having six years of Securities Examiner Experience, completing 60 on-site full examinations as primary Examiner, and obtaining an applicable advanced industry designation or college degree. Sean met the final requirement by getting a master's degree in criminal justice. Sean has worked in both the Enforcement and Compliance Sections. He has 16 years of industry experience and was a Branch Manager for a large nationwide broker-dealer firm. Sean was congratulated on his promotion and outstanding work at the Division. Mr. Barton noted that Sean was unable to attend the commission meeting because he was attending a hearing in criminal court for two of defendants involved in his examinations.

→ Enforcement

Cidne Orchard

Chief Blaylock had two court conflicts this morning with hearings concerning the Rust Rare Coin case and the multi-defendant, multi-count indictment Live Abundant matter. Therefore, Cidne Orchard, Senior Enforcement Investigator providing the section report. Ms. Orchard reported that the Enforcement section currently has 53 cases open under investigation, with another 17 awaiting an order to show cause for administrative actions. The section has 25 cases in various stages of criminal prosecution with state, county and federal prosecutors, with another two pending criminal screening.

Ms. Orchard further reported that over the past year the Division has seen a steady increase of complaints alleging cryptocurrency investment schemes. Division staff members Aaron Burgoyne and Regan Nelsen had recently undertaken and completed training certifications to perform complex blockchain tracing methods. Through a specialty software, investigators are now able to identify how invested cryptocurrencies are being used and locate potential offenders. The Division has also created its own government wallet to receive cryptocurrency assets obtained from enforcement investigative efforts. This wallet has been used to receive assets recovered in a criminal prosecution asset freeze and to return them to the victim. The Division is adapting its investigative efforts into the crypto frontier.

MEETING ADJOURNED

11:50 AM

The next scheduled Securities Commission meeting is January 11, 2024

APPROVED:

CHAIRMAN RICKS

DATE