



STATE OF UTAH
DEPARTMENT OF COMMERCE | DIVISION OF SECURITIES
COMMISSION MEETING | JANUARY 11, 2024 | MINUTES

COMMENCEMENT

9:00AM

PARTIES

SECURITIES COMMISSION

Lyndon Ricks
Dawn Dachenhausen
Dan Debry
Melanie Vartabedian
Mark Zimbelman

DIVISION OF SECURITIES

Francswai Grayson
Bryan Cowley
Ken Barton
Liz Blaylock
Ashlee Buchholz
Aaron Burgoyne
Parmida Zahedi Amrei
Charles Lyons
Tyler Hardman
Sean Fuller

ADMINISTRATIVE LAW JUDGE

Amy Gowan
Su Chon

ASSISTANT ATTORNEY GENERALS

Jen Korb
Mark Holliday
Michael Gadd

WELCOME AND CALL TO ORDER

1. Approval of October 12, 2023 meeting minutes.
 - Commissioner White made a motion to approve, and Commissioner Dauchenhausen seconded the motion. The Commission unanimously approved the meeting minutes.

- The Division and Commission recognized Peggy Hunt for her service on the commission and swore in new Securities Commissioner Melanie Vartabedian.

DIRECTOR'S REPORT/ COMMUNICATIONS OUTREACH

Francswai Grayson

Director Sterzer was out of town, and Assistant Director Grayson provided the Director's report. Ms. Grayson introduced Parmida Zahedi as the newest member of the division staff. Next, she highlighted the internal review that Director Sterzer asked her to conduct. This review included looking into the Division's policies and procedures to uncover inefficiencies and figure out how the Division can work smarter and better.

Ms. Grayson reported that at the beginning of each year, the Division creates an investor education outreach plan that will direct our outreach efforts for the year. The Division ended the 2023 calendar year having participated in 67 events, reaching over 31,000 individuals, and distributed over 1,200 Utah Investor Guide books. The Division significantly increased its marketing efforts, working with the Commerce Administration to launch the Scamlot campaign to target fraud and affinity fraud in Utah. Other notable accomplishments included engaging a marketing firm to survey Utahns about how they are solicited to invest and potentially defrauded, hosting our first licensee caravan, hosting a fraud symposium with our federal partners, creating a law enforcement training program to recruit local law enforcement in our efforts to combat securities fraud, and establishing a social media presence for the Division.

This year, one of the Division's primary initiatives will be its faith-based initiative. The purpose of the initiative is to specifically work with faith-based communities to educate congregations on affinity fraud. We will continue to host our licensee caravan this year. We will launch the third prong of our law enforcement partnership. The third prong is to have the Division's training POST certified so that new cadets and officers can receive initial securities fraud training through the academy and continuing education credit through in-service opportunities.

SECTION REPORTS

→ Licensing and Registration

Bryan Cowley

Mr. Cowley highlighted the work that the Licensing and Corporation Finance Section has completed. Licensing received and examined approximately 397 Broker-Dealer Agent applications and 74 Investment Adviser Representative applications. Prior to licensure, approximately 43 Firm, Agent, and/or Investment Representative applications were elevated for additional examination. Furthermore, Licensing received 7 Registered Investment Adviser Firm applications, completed five applications, and has 25 applications pending.

Corporation Finance received and examined approximately 629 filings, which included 4 Registrations by Coordination, 2 Utah Exemptions, 389 Mutual Fund/UITs, 229 Form D Rule 506, and 5 Regulation A Tier 2 filings. Furthermore, 5 Rule 12805 Arbitration reviews were completed.

Mr. Cowley concluded by expressing appreciation for the quality and quantity of transactional work his section has completed.

→ Compliance

Ken Barton

Mr. Barton provided the Section's 2023 Exam Statistics: The Compliance Section opened 265 examinations and closed 221 exams during the last twelve months. Of the 265 exams opened, 33 were "cause exams" initiated by an investor complaint or regulatory referral, 49 were routine exams, 181 were special routine exams, and 2

were Vulnerable Adult firm reports warranting further Division investigation. Of the 221 examinations closed during the period, 218 were closed by exit/deficiency letter with no additional agency action, and 3 were closed by referral for agency action. The percentage of cause exams is 41%, down from the historical percentage of 55% over the last five years. The number of cause exams has remained constant; the percentage decrease is a function of the staffing increases, which allows the Division resources to complete more routine exams. The numbers are good news; that was the desired outcome of adding staff.

The 2023 Protection of Vulnerable Adults from Financial Exploitation Act (“PVAFE Act”) reports from securities firms as of December 31, 2023, was 35. The overwhelming majority of these reports involve internet/communications fraud, identity theft, and impersonation schemes. The not-so-good news, there is a 20% increase over 2022. The good news is that more firms are completing reports. Unfortunately, numbers are consistent with nationwide FBI statistics data relating to the growth of these types of financial frauds across the country.

The Division will begin its 2024 Special Exam Process this month, which will go to all Utah State Covered Investment Adviser firms. The Exam will focus on cybersecurity practices. After completing the Special exam, the Division will provide educational outreach to all investment adviser firms, focusing on the new marketing rules adopted by the SEC in 2022.

→ Enforcement

Liz Blaylock

Ms. Blaylock began by reporting on Enforcement Outreach efforts - Over the past quarter, Enforcement staff have served as Guest speakers at training events with the Utah Association of Certified Fraud Examiners and a FINRA Foundation training with the National White-Collar Crime Center. The Division has joined a new Financial crime task force in Southern Utah to have stronger partnerships and connections in that region.

Over the past quarter, four criminal cases were screened and accepted for prosecution with the Utah Attorney General's Office Mortgage and Financial Fraud Unit. A steady stream of Administrative actions has been filed each month. Of note, the Enforcement section currently has over a dozen completed investigations in the draft queue awaiting an Order to show cause to be written. About 60 open cases are under investigation, and 25 are in varying stages of criminal prosecution.

The enforcement section has created and filled a new position of Investigative Support Specialist. The job holder will provide investigative, analytical, and administrative support to the Enforcement section. They will assist in analyzing current practices and developing new policies and procedures for efficiency. The incumbent will also develop and maintain cooperative relationships with state, local, and private agencies to coordinate enforcement efforts. The enforcement section is pleased to announce Zoe Gomez-Gonzalez, formerly from the investor education section, has accepted this position. The number of complaints filed with the Division has increased, and the complexity of those cases has also increased. The new software system the Division has allows the section to study its data to better understand the challenges it faces in fighting fraud in the state and how to be most efficient with the limited resources we have. Ms. Blaylock concluded her report by requesting feedback from the Commission regarding items they would like reported in future meetings.

SECURITIES INVESTOR EDUCATION AND TRAINING FUND

Mr. Burgoyne presented the investor education fund report and expenditure request for the three-month period covering October 1, 2023, through December 31, 2023.

Commissioner Zimbelman made a motion to approve, and Commissioner Debry seconded the motion. The Commission unanimously approved the Education Expenditure Report.

CONSIDERATION AND APPROVAL OF PROPOSED ORDER(S)

PROPOSED ORDER	DOCKET ORDER	IN THE MATTER OF	PRESENTER
Stipulation and Consent Order	SD-23-0007	Aspen Capital Management	Chip Lyons
Stipulation and Consent Order	SD-23-0008	John Reed Crosier	Chip Lyons
Stipulation and Consent Order	SD-23-0009	Chad Everett Loveland	Chip Lyons

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

Settlement Order	SD-24-0001/0002	Safeguard Metals LLC	Jen Korb
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Commissioner Ricks made a motion to approve, and Commissioner Dauchenhausen seconded the motion. The Commission unanimously approved the Settlement Order.

Stipulation and Consent Order	SD-23-0014	Michael Hekking	Chip Lyons
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Commissioner Zimbelman made a motion to approve, and Commissioner Debry seconded the motion. The Commission unanimously approved the Stipulation and Consent Order.

Standing Order	2023-001	General Order 23-001	Franscwai Grayson
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Commissioner Ricks made a motion to approve, and Commissioner Dauchenhausen seconded the motion. The Commission unanimously approved the Standing Order with the ability to supersede or Amend the Order as they see fit in the future.

MEETING ADJOURNED

APPROVED: 
Lyndon Ricks (May 20, 2024 16:02 MDT)

05/20/2024

CHAIRMAN RICKS

DATE