



**STATE OF UTAH
DEPARTMENT OF COMMERCE | DIVISION OF SECURITIES
SECURITIES COMMISSION | RM 452
PENDING MEETING MINUTES | May 16, 2024 | 9:00 AM**

SECURITIES COMMISSION

Lyndon Ricks
Dawn Dachenhausen
Mark Zimbelman
Dan Debry
Melanie Vartabedian

Chair
Commissioner
Commissioner
Commissioner
Commissioner

DIVISION OF SECURITIES

Francswai Grayson
Ashlee Buchholz
Bryan Cowley
Ken Barton
Liz Blaylock
Chip Lyons
Tyler Hardman
Aaron Burgoyne
Cidne Orchard
Parmida ZahediAmrei
Ethan Hill
Emily Russell
Lydia Karlson

Assistant Director
Administrative Assistant
Chief of Licensing and Registration
Chief of Compliance
Chief of Enforcement
Securities Analyst
Securities Analyst
Investigative Accountant
Enforcement Investigator
Office Specialist
Securities Intern
Securities Intern
Securities Intern

ASSISTANT ATTORNEY GENERALS

Jen Korb
Mike Gadd

Counsel for Division
Counsel for Division

OTHERS ATTENDING

Melanie Hall
Amy Gowan
Su Chon

Department of Commerce
Administrative Law Judge
Administrative Law Judge

WELCOME AND CALL TO ORDER

Chairman Ricks commenced the Securities Commission meeting.

1. Approval of January 11, 2024 meeting minutes.
 - ✓ Commissioner Vartabedian made a motion to approve, Commissioner Dachenhausen seconded the motion. The Commission unanimously approved the meeting minutes.

DIRECTOR'S REPORT

Francswai Grayson

Assistant Director Grayson provided a staffing update including the additional role investigative support specialist added to the Enforcement section. The purpose of this role is to assist investigators with case investigations, track enforcement actions, help gather evidence, aid investigators in preparing for trials and hearings, among other duties. Zoe Gomez was hired to fill the role, moving from her previous position as an investor education specialist. The Division backfilled Zoe's prior role with the newest hire, Colin Baker. Colin holds a Bachelor's of Art in Communications from BYU and brings extensive experience as a content editor, writer, news producer, and intellectual property investigator. The Division also hired three accounting interns for the summer, who will be of great assistance to the Division's investigative accountant in conducting financial analyses and running initial reports through the investigative accounting software. Additionally, there is an ongoing posting to hire a new enforcement investigator.

Assistant Director Grayson reported on the Division's strategic plan for 2024, where the focus was on combating securities fraud through a five-prong approach: investor education, compliance sweep exams, collaboration with external stakeholders, enforcement efforts, and promoting capital formation. For the new fiscal year, while continuing these approaches, the Division has added two more tasks. These include assessing the feasibility of a victim restitution fund and devising strategies to standardize processes, harmonize efforts, and identify best practices to improve the enforcement process throughout Commerce. The Division looks forward to providing updates on the accomplishments in these areas.

The Division has been proactive in its investor education initiatives for 2024, launching a faith-based initiative by developing and contacting a listserv of faith-based organizations in Utah, offering resources and educational efforts. The aim is to educate groups specifically targeted for affinity fraud investment scams within the religious community. Additionally, efforts are being made to develop an investor education program targeting younger investors, recognizing the lack of deliberate education geared towards them about protecting themselves from securities fraud and seeking investment advice. With the advent of newer and inexpensive investing methods via smartphone platforms, younger individuals have shown increased interest in investing early in their careers. Notably, younger investors overwhelmingly utilize social media as their primary source for investment advice. Recognizing the importance of not overlooking this demographic simply because of the lesser amount invested, there is a focus on educating them early in their investment journeys. This could likely lead to the development of better-informed investors later in life, potentially avoiding severe losses from securities fraud.

The Division's investor education agenda is filled with activities this year, with at least five events per month, including conferences, in-person events, and public presentations.

SECTION REPORTS

Licensing and Registration

Bryan Cowley

Mr. Cowley reported that Michele Black was able to attend the Licensing and Registration training in Minneapolis, Minnesota, in April. He also provided the following statistical report:

In the month of April, Licensing received and examined approximately 4 Broker Dealer Applications, 477 Broker-Dealer Agent applications, and 92 Investment Adviser Representative applications. Before licensure, approximately 51 Firm, Agent, and/or Investment Representative applications were elevated for additional examination. Furthermore, Licensing received 9 Registered Investment Adviser Firm applications, completed 4 applications, and has 30 applications pending.

Corporation Finance received and examined approximately 650 filings, which included 3 Registration by Coordination, 3 Utah Exemptions, 426 Mutual Fund/UITs, 217 Form D Rule 506, and 1 Regulation A Tier 2 filings. Furthermore, 15 Rule 12805 Arbitration reviews were completed.

Mr. Cowley concluded by recognizing the great work his section staff are doing.

Compliance

Ken Barton

Mr. Barton reported the Compliance Section's Rolling-12 Month Exam Statistics: The Compliance Section has opened 402 examinations and closed 309 exams during the last twelve months. Of the 402 exams opened, 39 were "cause exams" initiated by an investor complaint or regulatory referral, 37 were routine exams, 300 were special routine exams, 24 were investment adviser licensing application examinations, and 2 were Vulnerable Adult firm reports warranting further Division investigation. Of the 309 examinations closed during the period, 303 were closed with no additional agency action, and 6 were closed by referral for agency action.

Information concerning the Fiscal Year 23-24 Special examination on Cybersecurity Regulations: The Division open 260 Cybersecurity Special Examination. Of the 250 exams the Division has received 225 examination responses for a completion percentage of 87%. A preliminary review of the data thus far suggests Utah's Investment Adviser firms are vigilant with fundamental cyber security requirements (e.g.- secure password requirements, updated anti-virus software, updated firewall protections, electronic device inventories, etc.). Areas for improvement include end-to-end file encryption of e-mail communications, fully secure mobile device usage, firm website investor portal security, and better coordination with firm asset custodians to protect clients from falling prey to schemes that lead to account security breaches.

The Division received six Protection of Vulnerable Adults from Financial Exploitation Act ("PVAFE Act") reports from securities firms in March. The rolling 12-month total for PVAFE

Act reports as of April 30, 2024, is 45.

Enforcement

Liz Blaylock

Ms. Blaylock provided a brief section staff report including the intent to hire two investigators to fill the vacancies left by a recent resignation and an active duty military officer whose leave has been continued for another year.

She provided the following statistical report: approximately 100 complaints are under investigation, a notable increase from years past. At least 20 cases involve ongoing criminal prosecutions with at least 5 set for sentencing over the next couple of months and another 5 pending criminal charges. A review of the types of complaints the Division is receiving include 40% are Cryptocurrency related, followed by Stock and equity complaints, private investment offerings and a variety of other imposter schemes, Ponzi schemes, oil and gas, viatical and other products.

Senior Investigator Cidne Orchard was recognized by Governor Spencer Cox in honor of Public Service Employee Recognition this week as the State of Utah's Employee of the Month. There are about 22,000 state employees throughout more than 30 different state agencies. Out of all of those professionals, Cidne was selected for exemplary contributions to our state. Cidne was also recognized this month by the United States Attorney for the District of Utah, Trina Higgins. Each year, during National Police Week, the Dept. of Justice honors Law enforcement officers from around the country for their service to protect the public. This year Sr. Investigator Cidne Orchard received the United States Attorney's Law Enforcement Award for her dedicated work in seeking justice in federal cases prosecuted in the District of Utah. Investigator Orchard has taken the lead on several multi-million-dollar securities fraud cases that have impacted the financial well-being of hundreds, if not thousands, of Utahans. She has worked seamlessly with local, state, and federal law enforcement counterparts in coordinated efforts to root out the facts of some of the most complex financial crimes. She is relentlessly kind. She treats victims in a manner that shows sensitivity and professionalism, leaving a lasting impression that someone they know is fighting for justice regardless of the case outcome. Like most of our staff, she does this work behind the scenes, without expectation of recognition, because she believes in protecting investors.

2. EDUCATION FUND EXPENDITURE REQUEST

Aaron Burgoyne

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

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

CONSIDERATION AND APPROVAL OF PROPOSED ORDER(S)

- 1. Bankers Life** **SD-12-0043** **Stipulation and Consent Order**
Chip Lyons presenting

✓ After questions were asked and answered and additional discussion was held, Commissioner Ricks made motion to approve and Commissioner Dachenhausen seconded the motion. The Commission unanimously approved the Stipulation and Consent Order.
- 2. Tradestation Crypto, Inc.** **SD-24-0034** **Stipulation and Consent Order**
Chip Lyons presenting

✓ After questions were asked and answered and additional discussion was held, Commissioner Zimbelman made motion to approve and Commissioner Debry seconded the motion. The Commission unanimously approved the Stipulation and Consent Order.
- 3. Spencer Ha** **SD-23-0014** **Stipulation and Consent Order**
Tyler Hardman presenting

✓ After questions were asked and answered and additional discussion was held, Commissioner Ricks made motion to approve and Commissioner Vartabedian seconded the motion. The Commission unanimously approved the Stipulation and Consent Order.
- 4. Anton Nabuco / 2.0 Investments** **SD-21-0003/04** **Stipulation and Consent Order**
Tyler Hardman presenting

✓ After questions were asked and answered and additional discussion was held, Commissioner Ricks made motion to approve and Commissioner Dachenhausen seconded the motion. The Commission unanimously approved the Stipulation and Consent Order.
- 5. Melanie Schulze-Miller** **SD-23-0015** **Stipulation and Consent Order** **Jennifer Korb Presenting**

✓ After questions were asked and answered and additional discussion was held, Commissioner Zimbelman made a motion to approve and Commissioner Debry seconded the motion. The Commission unanimously approved the Stipulation and Consent Order with Commissioner Vartarbedian recusing.
- 6. Robert Henry Copier** **SD-24-0035** **Default Order of Adjudication** **Jennifer Korb Presenting**

✓ After questions were asked and answered and additional discussion was held, Commissioner Zimbelman made a motion to approve and Commission Chair Ricks

seconded the motion. The Commission unanimously approved the Stipulation and Consent Order.

MEETING ADJOURNED

The next scheduled Securities Commission meeting is August 8, 2024

APPROVED: *Lyndon Ricks*
Lyndon Ricks (Aug 14, 2024 16:25 MDT)

CHAIRMAN RICKS

08/14/2024

DATE