

DIVISION OF SECURITIES  
KEITH WOODWELL, DIRECTOR  
DEPARTMENT OF COMMERCE  
P.O. BOX 146741  
160 EAST 300 SOUTH  
SALT LAKE CITY, UTAH 84114-6711  
Telephone: (801) 530-6628

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BEFORE THE DIVISION OF SECURITIES  
OF THE DEPARTMENT OF COMMERCE  
OF THE STATE OF UTAH

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IN THE MATTER OF

MICHAEL L. DOUROS, and  
REAL ESTATE EQUITY SOLUTIONS, LLC,

RESPONDENTS

**RECOMMENDED ORDER ON MOTION  
FOR DEFAULT**

Case no. SD-16-0013  
Case no. SD-16-0014

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BY THE PRESIDING OFFICER:

This adjudicative proceeding was initiated pursuant to an April 12, 2016 Notice of Agency Action and Order to Show Cause, which were mailed via certified mail to Respondents' last know address. Respondents were required to file a response to the Division's order to show cause within the ensuing 30-day period. As of the date of this Order, Respondents have not filed a response. An initial hearing was held on June 1, 2016, and again on August 3, 2016 after the order to show cause was mailed a second time to different addresses for Respondents. Respondents failed to appear at either hearing. As of the date of this Order, Respondents have made no effort to participate in these proceedings. At the August 3, 2016 initial hearing counsel for the Division moved to default Respondents based on their failure to respond to the order to show cause and their failure to appear at the initial hearing.

The Presiding Officer finds that, pursuant to Utah Code § 63G-4-209(1)(b) and (c), proper factual and legal bases exist for entering a default order against Respondents.

### **RECOMMENDED ORDER**

The Presiding Officer recommends that the Utah Securities Commission accept the allegations outlined in the Division's order to show cause as being true, and find:

1. That the investment opportunities offered and sold by Respondents are securities under Utah Code Ann. § 61-1-13(1)(ee)(i);
2. That in connection with the offer and sale of securities in or from Utah, and in violation of Utah Code Ann. § 61-1-1(2), Respondents directly or indirectly made false statements to an investor;
3. That in connection with the offer and sale of securities in or from Utah, and in violation of Utah Code Ann. § 61-1-1(3), Respondents engaged in an act, practice, or course of business that operated as a fraud; and
4. That Respondents' actions, which constitute one or more violations of Utah Code Ann. § 61-1 et seq, are grounds for sanction under the Act.

The Presiding Officer further recommends that the Utah Securities Commission enter a default order against Respondents, requiring:

1. That Respondents cease and desist from engaging in any further conduct in violation of Utah Code Ann. § 61-1 et seq;
2. That Respondents pay a fine of \$71,875, jointly and severally, to the Utah Division of Securities, with \$14,375 of the fine due and payable in full upon receipt of the final order and the remaining \$57,500 subject to offset for a period of 30 days

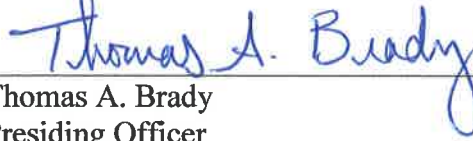
following the date of the final order on a dollar-to-dollar basis for any restitution paid to the investor;

3. That, should Respondents fail to provide proof of restitution payments to the investor within the 30-day period following the date of the final order, the full \$71,875 fine become immediately due and payable, and subject to collection; and
4. That Respondents be permanently barred from associating with any broker-dealer or investment adviser licensed in Utah; from acting as an agent for any issuer soliciting investor funds in Utah; and from being licensed in any capacity in the securities industry in Utah.

Finally, the Presiding Officer recommends that, upon entering the Default Order, the Utah Securities Commission dismiss any further proceedings in this case. This Recommended Order shall be effective on the signature date below.

DATED August 15, 2016.

UTAH DEPARTMENT OF COMMERCE



Thomas A. Brady  
Presiding Officer

DIVISION OF SECURITIES  
KEITH WOODWELL, DIRECTOR  
DEPARTMENT OF COMMERCE  
P.O. BOX 146741  
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BEFORE THE DIVISION OF SECURITIES  
OF THE DEPARTMENT OF COMMERCE  
OF THE STATE OF UTAH

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IN THE MATTER OF

MICHAEL L. DOUROS, and  
REAL ESTATE EQUITY SOLUTIONS, LLC,  
  
RESPONDENTS

**ORDER ON MOTION FOR DEFAULT**

Case no. SD-16-0013  
Case no. SD-16-0014

---

BY THE UTAH SECURITIES COMMISSION:

The Presiding Officer's Recommended Order on Motion for Default in this matter is hereby approved, confirmed, accepted, and entered by the Utah Securities Commission.

**ORDER**

Respondents are hereby ordered to cease and desist from engaging in any further conduct in violation of Utah Code § 61-1 et seq.

Respondents are hereby ordered to pay a fine of \$71,875, jointly and severally, to the Utah Division of Securities. Of this total fine, \$14,375 is due and payable immediately upon

receipt of this final order. The remaining \$57,500 is subject to offset during the 30-day period following the date of this order on a dollar-for-dollar basis for any restitution paid to the investor.

Should Respondents fail to provide proof of restitution payments to the investor within the 30-day period following the date of this order, the full \$71,875 fine becomes immediately due and payable, and subject to collection.

Respondents are hereby permanently barred from associating with any broker-dealer or investment adviser licensed in Utah; from acting as an agent for any issuer soliciting investor funds in Utah; and from being licensed in any capacity in the securities industry in Utah.

All further proceedings in this case are dismissed. This dismissal does not relieve Respondents from complying with the terms of the Default Order. This order shall be effective on the signature date below.

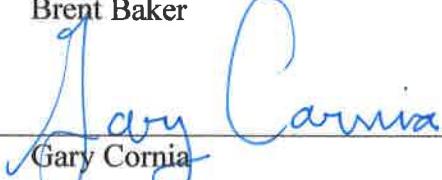
DATED this 22<sup>nd</sup> day of September, 2016

**UTAH SECURITIES COMMISSION:**

  
\_\_\_\_\_  
Lyle White

  
\_\_\_\_\_  
Erik Anthony Christiansen

  
\_\_\_\_\_  
Brent Baker

  
\_\_\_\_\_  
Gary Cornia

  
\_\_\_\_\_  
Brent Cochran

## NOTICE OF RIGHT TO ADMINISTRATIVE REVIEW

**Agency review of this order may be obtained by filing a request for agency review with the Executive Director of the Department of Commerce, 160 East 300 South, Box 146701, Salt Lake City, Utah 84114-6701, within thirty (30) days after the date of this order. A motion to set aside the order may also be filed with the presiding officer. The agency action in this case was a formal proceeding. The laws and rules governing agency review of this proceeding are found in Section 63G-4-101 et seq. of the Utah Code, and Rule 151-4 of the Utah Administrative Code.**

### CERTIFICATE OF SERVICE

I hereby certify that on the 22<sup>nd</sup> day of September, 2016 the undersigned served a true and correct copy of the foregoing ORDER ON MOTION FOR DEFAULT by mailing a copy through first-class mail, postage prepaid, to:

Michael L. Douros and Real Estate Equity Solutions, LLC  
9130 Jefferson Place  
Sandy, UT 84070

and caused a copy to be hand delivered to:

Jennifer Korb, Assistant Attorney General  
Office of the Attorney General of Utah  
Fifth Floor, Heber M. Wells Building  
Salt Lake City, Utah

Utah Division of Securities  
Second Floor, Heber M. Wells Building  
Salt Lake City, Utah

  
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DIVISION OF SECURITIES  
KEITH WOODWELL, DIRECTOR  
DEPARTMENT OF COMMERCE  
P.O. BOX 146741  
160 EAST 300 SOUTH  
SALT LAKE CITY, UTAH 84114-6711  
Telephone: (801) 530-6628

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BEFORE THE DIVISION OF SECURITIES  
OF THE DEPARTMENT OF COMMERCE  
OF THE STATE OF UTAH

---

IN THE MATTER OF

GARY C. NIELSON,

RESPONDENT.

**RECOMMENDED ORDER ON MOTION  
FOR DEFAULT**

Case no. SD-15-0049

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BY THE PRESIDING OFFICER:

This adjudicative proceeding was initiated pursuant to a September 16, 2015 Notice of Agency Action and Order to Show Cause. On October 27, 2015, pursuant to a motion and stipulation filed by Respondent's counsel, D. Gilbert Athay, the proceeding was stayed in light of the associated criminal action against the Respondent. On June 21, 2016 the stay was lifted after the conclusion of the criminal action, a scheduling conference was scheduled for August 3, 2016 at 9:30 am, and notice was mailed to counsel for the parties. At the August 3, 2016 scheduling conference, no one appeared on behalf of the Respondent. Additionally, the Respondent has not yet filed a response to the order to show cause. At the August 3, 2016 scheduling conference, counsel for the Division moved to default Respondent based on his failure to respond to the order to show cause and his failure to appear at the initial hearing.

The Presiding Officer finds that, pursuant to Utah Code § 63G-4-209(1)(b) and (c), proper factual and legal bases exist for entering a default order against Respondent.

**RECOMMENDED ORDER**

The Presiding Officer recommends that the Utah Securities Commission accept the allegations outlined in the Division's order to show cause as being true, and find:

1. That the investment opportunities offered and sold by Respondent are securities under Utah Code Ann. § 61-1-13(1)(ee)(i);
2. That in connection with the offer and sale of securities in or from Utah, and in violation of Utah Code Ann. § 61-1-1(2), Respondent directly or indirectly made false statements to investors, and failed to disclose material information to investors which was necessary in order to make statements made not misleading;
3. That in connection with the offer and sale of securities in or from Utah, and in violation of Utah Code Ann. § 61-1-1(3), Respondent engaged in an act, practice, or course of business that operated as a fraud; and
4. That Respondent's actions, which constitute one or more violations of Utah Code Ann. § 61-1 et seq, are grounds for sanction under the Act.

The Presiding Officer further recommends that the Utah Securities Commission enter a default order against Respondent, requiring:

1. That Respondent cease and desist from engaging in any further conduct in violation of Utah Code Ann. § 61-1 et seq;
2. That Respondent immediately pay a fine of \$75,000 to the Utah Division of Securities, with \$15,000 of the fine due and payable in full upon receipt of the final order and the remaining \$60,000 subject to offset for a period of 30 days following




the date of the final order on a dollar-for-dollar basis for any restitution paid to the investors;

3. That, should Respondent fail to provide proof of restitution payments to the investors within the 30-day period following the date of the final order, the full \$75,000 fine becomes immediately due and payable, and subject to collection; and
4. That Respondent be permanently barred from associating with any broker-dealer or investment adviser licensed in Utah; from acting as an agent for any issuer soliciting investor funds in Utah; and from being licensed in any capacity in the securities industry in Utah.

Finally, the Presiding Officer recommends that, upon entering the Default Order, the Utah Securities Commission dismiss any further proceedings in this case. This Recommended Order shall be effective on the signature date below.

DATED August 15, 2016.

UTAH DEPARTMENT OF COMMERCE

  
Thomas A. Brady, Presiding Officer

DIVISION OF SECURITIES  
KEITH WOODWELL, DIRECTOR  
DEPARTMENT OF COMMERCE  
P.O. BOX 146741  
160 EAST 300 SOUTH  
SALT LAKE CITY, UTAH 84114-6711  
Telephone: (801) 530-6628

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BEFORE THE DIVISION OF SECURITIES  
OF THE DEPARTMENT OF COMMERCE  
OF THE STATE OF UTAH

---

IN THE MATTER OF  
  
GARY C. NIELSON,  
  
RESPONDENT.

**ORDER ON MOTION FOR DEFAULT**

Case no. SD-15-0049

---

BY THE UTAH SECURITIES COMMISSION:

The Presiding Officer's Recommended Order on Motion for Default in this matter is hereby approved, confirmed, accepted, and entered by the Utah Securities Commission.

**ORDER**

Respondent is hereby ordered to cease and desist from engaging in any further conduct in violation of Utah Code § 61-1 et seq.

Respondent is hereby ordered to pay a fine of \$75,000 to the Utah Division of Securities. Of this total fine, \$15,000 is due and payable immediately upon receipt of this final order. The remaining \$60,000 is subject to offset during the 30-day period following the date of this order on a dollar-for-dollar basis for any restitution paid to the investors.


Should Respondent fail to provide proof of restitution payments to the investors within the 30-day period following the date of this order, the full \$75,000 fine becomes immediately due and payable, and subject to collection.

Respondent is hereby permanently barred from associating with any broker-dealer or investment adviser licensed in Utah; from acting as an agent for any issuer soliciting investor funds in Utah; and from being licensed in any capacity in the securities industry in Utah.

All further proceedings in this case are dismissed. This dismissal does not relieve Respondent from complying with the terms of the Default Order. This order shall be effective on the signature date below.

DATED this 22nd day of September, 2016

**UTAH SECURITIES COMMISSION:**

  
\_\_\_\_\_  
Lyle White

  
\_\_\_\_\_  
Erik Anthony Christiansen

  
\_\_\_\_\_  
Brent Baker

  
\_\_\_\_\_  
Gary Cornia

  
\_\_\_\_\_  
Brent Cochran

**NOTICE OF RIGHT TO ADMINISTRATIVE REVIEW**

**Agency review of this order may be obtained by filing a request for agency review with the Executive Director of the Department of Commerce, 160 East 300 South, Box 146701, Salt Lake City, Utah 84114-6701, within thirty (30) days after the date of this order. A motion to set aside the order may also be filed with the presiding officer. The agency action in this case was a formal proceeding. The laws and rules governing agency review of this proceeding are found in Section 63G-4-101 et seq. of the Utah Code, and Rule 151-4 of the Utah Administrative Code.**

**CERTIFICATE OF SERVICE**

I hereby certify that on the 22<sup>nd</sup> day of September 2016 the undersigned served a true and correct copy of the foregoing ORDER ON MOTION FOR DEFAULT by mailing a copy through first-class mail, postage prepaid, to:

D. Gilbert Athay  
Attorney for Respondent  
43 East 400 South  
Salt Lake City, UT 84111

and caused a copy to be hand delivered to:

Jennifer Korb, Assistant Attorney General  
Office of the Attorney General of Utah  
Fifth Floor, Heber M. Wells Building  
Salt Lake City, Utah

Utah Division of Securities  
Second Floor, Heber M. Wells Building  
Salt Lake City, Utah



A handwritten signature in blue ink, reading "L. Aldina Cleave", is written over a horizontal line.

Division of Securities  
Utah Department of Commerce  
160 East 300 South, 2<sup>nd</sup> Floor  
Box 146760  
Salt Lake City, UT 84114-6760  
Telephone: (801) 530-6600  
FAX: (801)530-6980

**BEFORE THE DIVISION OF SECURITIES  
OF THE DEPARTMENT OF COMMERCE  
OF THE STATE OF UTAH**

<p><b>IN THE MATTER OF:</b></p> <p><b>LORI ANDERSON, CRD #1827663, and SMTS ASSOCIATION, a Utah DBA,</b></p> <p><b>Respondents.</b></p>	<p><b>STIPULATION AND CONSENT ORDER</b></p> <p><b>Docket No. SD-16-0030 Docket No. SD-16-0031</b></p>
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The Utah Division of Securities (“Division”), by and through its Director of Enforcement, Dave R. Hermansen, and Respondents Lori Anderson (“Anderson”) and SMTS Association (“SMTS”) (together, Anderson and SMTS are referred to herein as “Respondents”) hereby stipulate and agree as follows:

1. Respondents were the subject of an investigation conducted by the Division into allegations that they violated certain provisions of the Utah Uniform Securities Act (the “Act”), Utah Code Ann. § 61-1-1, *et seq.*, as amended.
2. On June 14, 2016, the Division initiated an administrative action against Respondents by filing an Order to Show Cause and Notice of Agency Action (“OSC”).
3. Respondents hereby agree to settle this matter with the Division by way of this

Stipulation and Consent Order (“Order”). If entered, the Order will fully resolve all claims the Division has against Respondents pertaining to the OSC.

4. Respondents admit that the Division has jurisdiction over them and the subject matter of this action.
5. Respondents hereby waive any right to a hearing to challenge the Division’s evidence and present evidence on their behalf.
6. Respondents have read this Order, understand its contents, and voluntarily agree to the entry of the Order as set forth below. No promises, threats or other forms of inducement have been made by the Division, nor by any representative of the Division, to encourage them to enter into this Order, other than as set forth in this Order.
7. Respondents understand that they may be represented by counsel in this matter, understand the role that counsel would have in defending and representing their interest in this case and hereby knowingly, freely and voluntarily waive their right to have counsel represent them in this proceeding.

## **I. FINDINGS OF FACT**

### **THE RESPONDENTS**

8. Anderson was, at all times relevant to the matters asserted herein, a resident of Utah. Anderson does not currently hold any securities licenses, but has previously passed the FINRA Series 6 and Series 63 exams.
9. SMTS is a Utah business DBA (assumed business name) that registered with the Utah Division of Corporations (“Corporations”) on or about April 13, 2001. Robert E. Anderson, Anderson’s husband, was initially listed as the Registered Agent. The DBA

expired on April 13, 2004. Its status with Corporations was last renewed on May 17, 2015 by Anderson, and expires on May 31, 2018. Anderson is currently listed as an Applicant and as SMTS's Registered Agent. No other persons are listed as having an interest in, or control of, SMTS. SMTS has never been licensed with the Division in any capacity.

### BACKGROUND

10. On November 2, 1992, Anderson plead guilty and was sentenced in the First District of Utah, Cache County for committing nine felony counts of Forgery, four felony counts of Communications Fraud, and ten felony counts of Theft, and was consequently incarcerated in the Utah State Prison from November 2, 1992 through July 27, 1993. Anderson was released and on parole until August 6, 1999.
11. After receiving an anonymous complaint regarding trading activity by Respondents, on February 11, 2015, the Utah Division of Securities ("Division") initiated a joint investigation with the FBI. The complainant had been offered the opportunity to invest with Anderson but had declined to invest because of Anderson's criminal background. The individual called the Division to notify them of Respondents' recent trading activity.
12. On December 2, 2015, the Utah Attorney General's Office filed a criminal action against Anderson in the First District of Utah (Case No. 151100956), alleging two felony counts of Securities Fraud, and one count of Pattern of Unlawful Activity. On May 24, 2016, Anderson plead guilty to the charges, all second degree felonies, and was sentenced to three, one to fifteen year terms in prison, two of which were ordered to run consecutively. Anderson was ordered to pay restitution in the amount of \$1,764,376, and is currently

incarcerated in the Wasatch County Jail.

#### GENERAL ALLEGATIONS

13. From approximately 2001 until June 2015, while conducting business in the state of Utah, Respondents offered and sold an investment opportunity to at least 46 investors, including D.H., a resident of Utah, and collected approximately \$1.7 million in connection therewith.
14. In June 2015, Respondents offered and sold an investment opportunity to an undercover FBI agent.
15. The investment opportunity offered and sold by Respondents was an investment contract.
16. Investment contracts are defined as securities under Section 61-1-13 of the Act.
17. During all times relevant to this action, Respondents were not licensed to offer or sell securities in the state of Utah.
18. In connection with the offer and sale of securities, Respondents made material misstatements and omissions to investors.
19. Investors never received returns on their purported investments as was represented to them by Respondents.
20. Respondents used investor funds in a manner inconsistent with what they told investors at the time of solicitation.
21. To date, the investors have not received full repayment of their principal on their investment.



UNDERCOVER OPERATION

OFFER AND SALE OF A SECURITY

22. Respondents offered and sold securities to an undercover FBI agent when, on June 19, 2015, posing as a potential investor, the agent called Anderson and expressed interest in learning more about Respondents' investment program.
23. During the call, Anderson made the following statements and representations about the offering:
  - a. Anderson began trading approximately 15 years ago for herself, her mother and, at the time, her mother's new husband;
  - b. Anderson claimed she had been successful at trading, so she began to trade more money for friends and family;
  - c. Anderson told the agent that she created a trading group for those who wanted to invest;
  - d. Anderson stated that investors received a return of 0.9% per month, roughly 10% per year;
  - e. Anderson told the agent that she had been consistently paying investors at this rate for approximately three years;
  - f. Anderson explained that because she pays the taxes on their investments, the investors' real return is approximately 12% to 13% per year;
  - g. Anderson told the agent that she consistently averaged profits of \$2,000 per day, and her trading account balance was currently \$1.8 million;
  - h. Anderson claimed that she traded on behalf of 14 investors, but that two of them

would be withdrawing money soon, and that she was therefore willing to consider trading on behalf of one or two new investors;

- i. Anderson told the agent that the average investor had invested approximately \$100,000; and
- j. Anderson claimed her greatest loss on a single trade in a single day in the last month was \$571, and that her largest gain in that month was \$13,440.

24. On June 24, 2015, the same undercover agent, posing as a potential investor, met with Anderson at her home office located at 90 Canterbury Circle, Logan, Utah.

25. Anderson made the following statements and representations about the offering:

- a. Anderson told the agent that she attempts to catch stocks that are moving that day and capture a little of the gain as it moves up;
- b. Anderson referred to the computer and explained she currently has a combined balance of \$1.806 million in her trading account, which is all in a TD Ameritrade brokerage account;
- c. Anderson claimed she frequently made trades in the amount of \$60,000 to \$80,000 per trade, buying between 4,000 and 8,000 shares of stock;
- d. Anderson explained she places money in the position for a short period of time, approximately 5 minutes to an hour, because it would make her nervous to be in such a trade overnight;
- e. Anderson told the agent that she never uses all of the investor funds for one trade;
- f. Anderson explained she had a loss of \$571 trading Apple stock one day and claimed that was probably one of the biggest losses she had experienced;

- g. Anderson explained she pays all the investors the same return of .9% per month and all of the money is very liquid;
- h. Anderson told the agent she could get the funds out of the TD Ameritrade account on the same day as long as she notifies TD Ameritrade by 2:30 p.m.;
- i. Anderson told the agent the .9% monthly return ended up probably being more than 12% per year because she pays all of the taxes on the returns;
- j. Anderson explained that she tries to make 2% per month in order for her to earn 1% per month for her efforts, pay the investors 1%, and to pay taxes on the gains;
- k. Anderson claimed to have been able to achieve such results consistently;
- l. Anderson claimed to have previously had a securities license, but that she left the industry when her triplet daughters were born 23 years ago;
- m. Anderson told the agent that her trading account has been getting larger in the last three to four years which has helped out her family by providing her with more income;
- n. Anderson said the undercover agent could invest by providing Anderson with a check, wiring the funds into her bank account, or depositing the funds directly into her bank account;
- o. Anderson provided the undercover agent with a document she explained was a beneficiary form if the undercover agent decided to invest;
- p. Anderson told the agent she sends statements to investors every month by email, explaining that she produces the statements on the first of each month and tries to send them out by the fifth of the month;

- q. Anderson told the agent that her earnings were at the top end of where she wanted to be and wouldn't go over \$2 million;
  - r. She told the undercover agent that if he knew someone who wanted to put some money in she would probably take a little more, but once she reached \$2 million, she would not take any more clients;
  - s. Anderson told the agent that she tries to earn between \$1,500 and \$2,000 per day, and claimed to have made \$11,000 one day that month, which allowed her to take a few days off to take care of other personal business;
  - t. Anderson claimed that she sat at her desk and traded every day from 7:00 a.m. until 2:00 p.m.; and
  - u. Anderson confessed to making misrepresentations to investors.
26. Anderson told the FBI agent that she used investor funds to conduct trading activity with TD Ameritrade, pay returns to other investors, and for Anderson's personal expenses.

INVESTOR D.H.

OFFER AND SALE OF A SECURITY

27. D.H. is a resident of Logan, Utah, who met Anderson through church, and had known her for many years before deciding to invest with her.
28. From approximately 2011 until 2015, D.H. invested approximately \$600,000 with Anderson.
29. Over the course of numerous meetings with D.H. from approximately 2011 until 2015, Anderson made the following statements and representations to D.H. about the offering:
- a. Although she did not disclose her criminal record to other investors, Anderson

- discussed her prior conviction for fraud with D.H. openly, and told him that she had turned her life around;
- b. Anderson told D.H. that his investment would be used solely for trading in the stock market;
  - c. Anderson told D.H. that he would receive payments as a distribution from the earnings on D.H.'s investment with her;
  - d. Anderson told D.H. that she was operating at a profit of 1.8% to 3% per month;
  - e. Anderson showed D.H. an account on her computer monitor with a balance of \$1.3 million, and claimed that this was the TD Ameritrade account balance which included all investor monies;
  - f. After D.H. invested, Anderson told D.H. that he was receiving consistent returns on his investment and paid him \$4,500 per month in purported returns;
  - g. On June 30, 2015, Anderson provided D.H. with a report indicating that the balance of the D.H. investment was \$632,522;
30. Records obtained from TD Ameritrade indicate that Anderson and/or her husband, Robert Anderson, hold three accounts: account number XXX-XX7953 is in the name of Lori Anderson, account number XXX-XX3161 is in the name of Robert E. Anderson, and account number XXX-XX8763 is a joint account for Lori Ann Anderson and Robert E. Anderson. Anderson was the only individual to access and trade in these accounts.
31. The TD Ameritrade records for 2013, 2014, and January through June 25, 2015, all show aggregate net trading losses for each year.
32. On June 25, 2015, TD Ameritrade records indicate a total account balance of \$67,058.45

for all three accounts, far less than the \$1.8 million claimed by Anderson.

**FIRST CAUSE OF ACTION**  
**Securities Fraud under § 61-1-1(2) of the Act**  
**(Investor D.H.)**

33. The Division incorporates and realleges paragraphs 1 through 32.
34. In violation of §61-1-1(2) of the Act, Respondents made untrue statements of material fact and omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they are made, not misleading by, among other things, offering securities to D.H., making false statements, omitting material information, and using investor funds in a manner inconsistent with what was promised during the solicitation of the investment.
35. The investment opportunities offered and sold by Respondents qualify as securities under § 61-1-13 of the Act.
36. In connection with the offer or sale of securities to investor D.H., Respondents, directly or indirectly, made false statements including, but not limited to, the following:
  - a. Respondents told D.H. that they were actively trading investor monies with an account balance of up to \$1.3 million held in a TD Ameritrade account when, in fact, Respondents had only a fraction of that amount in the T.D. Ameritrade account at the time and thus had no reasonable basis to make such a statement;
  - b. Respondents told D.H. his investment would be used solely for trading in the stock market when, in fact, a portion of his funds was used for personal expenses and payments to earlier investors;
  - c. Respondents told D.H. that he would receive payments as a distribution from the

earnings on D.H.'s investment with Respondents when, in fact, the source of the funds paid to D.H. was other investor monies, and not earnings in the trading account;

- d. Respondents showed D.H. a purported T.D. Ameritrade trading profile on Anderson's computer which had a total amount of \$1.3 million in the account when, in fact, Respondents did not have \$1.3 million in a T.D. Ameritrade account, and showed D.H. a fictitious account reflecting a fictitious balance and trading activity;
  - e. Respondents told D.H. that they were operating at a profit of 1.8% to 3% per month when Respondents had no reasonable basis to make such a statement;
  - f. Respondents told D.H. that he was receiving consistent returns on his investment when, in fact, Respondents' trading activity reflected only consistent losses; and
  - g. On June 30, 2015, Anderson provided D.H. with a report indicating that the balance of the D.H. investment was \$632,522 when Respondents had no reasonable basis to make such a statement.
37. In connection with the offer and sale of a security to investor D.H., Respondents, directly or indirectly, failed to disclose material information which was necessary in order to make statements made not misleading including, but not limited to, the following:
- a. That Respondents did not have \$1.3 million in investor funds in a TD Ameritrade account;
  - b. That Respondents were consistently showing losses in all of their active T.D. Ameritrade accounts;

- c. That Respondents owed a significant amount of money to numerous investors;  
and
- d. That Respondents were using investor monies to make payments to D.H. and  
other investors.

**SECOND CAUSE OF ACTION  
Securities Fraud under § 61-1-1(2) of the Act  
(Undercover Agent)**

- 38. The Division incorporates and realleges paragraphs 1 through 32.
- 39. The investment opportunities offered by Respondents qualify as securities under §61-1-13 of the Act.
- 40. In connection with the offer of securities to an undercover FBI agent, Respondents, directly or indirectly, made false statements, including, but not limited to, the following:
  - a. Respondents told the agent that investors received a return of 0.9% per month, roughly 10% per year, when Respondents had no reasonable basis to make such a statement;
  - b. Respondents told the agent that they had been consistently paying investors at this rate for approximately three years, when Respondents had no reasonable basis to make such a statement;
  - c. Respondents explained that because they pay the taxes on the investments, the investors' real return is approximately 12% to 13% per year, when Respondents had no reasonable basis to make such a statement;
  - d. Respondents told the agent that they consistently averaged profits of \$2,000 per day, and that the T.D. Ameritrade trading account balance was currently \$1.8



- million, when Respondents had no reasonable basis to make such a statement;
- e. Respondents claimed their greatest loss on a single trade in a single day in the last month was \$571, and that her largest gain in that month was \$13,440, when, in fact, Respondents' T.D. Ameritrade accounts showed consistent significant losses, and Respondents had no reasonable basis to make such a statement;
  - f. Respondents referred to the computer screen and explained that they had a combined balance of \$1.806 million in the T.D. Ameritrade trading account when, in fact, Respondents T.D. Ameritrade account had a significantly lower balance, and Respondents were showing the agent a fictitious trading account;
  - g. Respondents claimed they frequently made trades in the amount of \$60,000 to \$80,000 per trade, buying between 4,000 and 8,000 shares of stock, when Respondents had no reasonable basis to make such a statement;
  - h. Respondents told the agent that investor money were liquid, when Respondents had no reasonable basis to make such a statement; and
  - i. Anderson claimed to have previously had a securities license, but that she left the industry when her triplet daughters were born 23 years ago, when, in fact, she was barred from the securities industry by NASD as a result of the 1992 criminal action against her for misappropriating client funds.
41. In connection with the offer of a security to the undercover agent, Respondents, directly or indirectly, failed to disclose material information which was necessary in order to make statements made not misleading including, but not limited to, the following:
- a. That Respondents' TD Ameritrade accounts actually had less than \$1,000 in the

- accounts at the time of the offer;
- b. That Respondents were not earning consistent profits through day trading activities, but were rather incurring significant losses;
  - c. That Respondents owed a significant amount of money to numerous investors;
  - d. That Respondents were using investor monies to make payments to D.H. and other investors;
  - e. That Anderson was barred from the securities industry as a result of the 1992 criminal action against her; and
  - f. That Anderson was criminally convicted of numerous counts of fraud and theft in 1992.

**THIRD CAUSE OF ACTION  
Securities Fraud under §61-1-1(3) of the Act**

- 42. The Division incorporates and realleges paragraphs 1 through 32.
- 43. The investment opportunities offered and sold by Respondents qualify as securities under §61-1-13 of the Act.
- 44. In violation of §61-1-1(3) of the Act, Respondents engaged in an act, practice, or course of business which operated as a fraud by using investor funds to pay returns to other investors, and for personal expenses, while causing investors to believe that the funds would be properly utilized to generate returns on their investment.

**FOURTH CAUSE OF ACTION  
Unlicensed Activity under §61-1-3(3) of the Act**

45. The Division incorporates and realleges paragraphs 1 through 32.
46. Respondents were not licensed as investment advisers or investment adviser representatives at the time of their involvement with these transactions.
47. Anderson acted as a representative of SMTS in the offer and/or sale of securities in or from Utah.
48. It is unlawful for persons to transact business in this state as an investment adviser representative unless appropriately licensed in accordance with the Act.
49. Accordingly, each offer and/or sale of securities by Respondents violated § 61-1-3(3) of the Act.

## **II. CONCLUSIONS OF LAW**

50. Based on the Division's investigative findings, the Division concludes that:
  - a. The investment opportunities offered and sold by Respondents are securities under § 61-1-13 of the Act.
  - b. Respondents violated § 61-1-1(2) of the Act by making untrue statements of material facts and/or omitting to state material facts in connection with the offer and sale of securities, disclosure of which were necessary in order to make representations made not misleading.
  - c. Respondents violated § 61-1-1(3) of the Act by engaging in an act, practice, or course of business which operated as a fraud by using investor funds to pay returns to other investors, and for personal expenses, while causing investors to believe that the funds would be properly utilized to generate returns on their investment.

- d. Respondents violated § 61-1-3(3) of the Act by acting as an investment adviser and investment adviser representative in the offer and/or sale of securities in or from Utah, without the proper licenses.

### **III. REMEDIAL ACTIONS / SANCTIONS**

51. Respondents admit the Division's Findings of Fact and Conclusions and consent to the sanctions below being imposed by the Division.
52. Respondents agree to cease and desist from violating the Act and to comply with the requirements of the Act in future business in this state.
53. Respondents agree to be barred from associating with any broker-dealer or investment adviser licensed in Utah, and from acting as an agent for any issuer soliciting investor funds in this state.
54. Respondent Anderson agrees to timely pay full restitution as ordered in the associated criminal action, *State v. Lori Ann Anderson*, Case Number 151100956, in the First District Court of Utah, Cache County (the "Criminal Action").<sup>1</sup> Pursuant to Utah Code Ann. Section 61-1-20, and in consideration of the factors set forth in Utah Code Ann. Section 61-1-31, the Division imposes a total fine of \$100,000.00 against Respondents, jointly and severally. If Respondent Anderson timely pays full restitution as ordered in the Criminal Action, the entire amount of the fine will be waived.

### **IV. FINAL RESOLUTION**

55. Respondents acknowledge that this Order, upon approval by the Utah Securities Commission (the "Commission"), shall be the final compromise and settlement of this

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<sup>1</sup> On May 23, 2016, Respondent Anderson was ordered to pay restitution in the amount of \$1,764,376 in the Criminal Action.

matter. Respondents acknowledge that the Commission is not required to approve this Order, in which case the Order shall be null and void and have no force or effect. In the event the Commission does not approve this Order, however, Respondents expressly waive any claims of bias or prejudgment of the Commission, and such waiver shall survive any nullification.

56. If either Respondent materially violates any term of this Order, after notice and an opportunity to be heard before an administrative judge solely as to the issue of a material violation, Respondents consent to entry of an order in which their fine shall be \$100,000.00 and become immediately due and payable. The order may be issued upon ex parte motion of the Division, supported by an affidavit verifying the violation. In addition, the Division may institute judicial proceedings against Respondents in any court of competent jurisdiction and take any other action authorized by the Act or under any other applicable law to collect monies owed by Respondents or to otherwise enforce the terms of the order. Respondents further agree to be liable for all reasonable attorneys' fees and costs associated with any collection efforts pursued by the Division, plus the judgment rate of interest.
57. Respondents acknowledge that the Order does not affect any civil or arbitration causes of action that third-parties may have against them arising in whole or in part from their actions, and that the Order does not affect any criminal causes of action that may arise as a result of the conduct referenced herein. Respondents also acknowledge that any civil, criminal, arbitration or other causes of action brought by third parties against them have no effect on, and do not bar, this administrative action by the Division.



58. This Order constitutes the entire agreement between the parties herein and supersedes and cancels any and all prior negotiations, representations, understandings, or agreements between the parties. There are no verbal agreements which modify, interpret, construe, or otherwise affect the Order in any way. Upon entry of the Order, any further scheduled hearings are canceled. The Order may be docketed in a court of competent jurisdiction.

59. For the entire time the fine remains outstanding, Respondents agree to notify the Division of any change in mailing address within thirty days from the date of such change.

Utah Division of Securities:

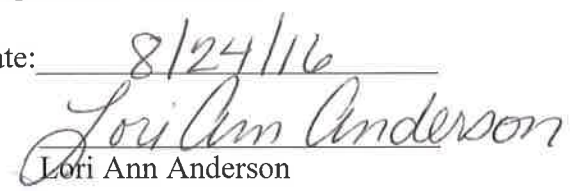
Date:

Sept 1, 2016  



By: Dave R. Hermansen  
Director of Enforcement

Respondent Anderson:

Date:

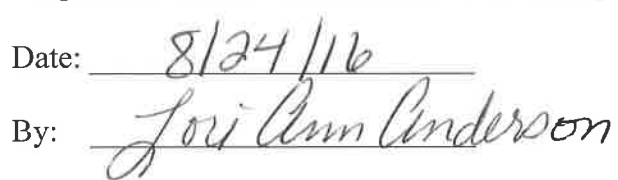
8/24/16  
  
Lori Ann Anderson

Approved:

  
Jennifer Korb  
Assistant Attorney General

Respondent SMTS Association, a Utah DBA:

Date:

8/24/16  
  
By: Lori Ann Anderson  
Its: \_\_\_\_\_

**ORDER**

IT IS HEREBY ORDERED THAT:


1. The Division's Findings and Conclusions, which Respondents admit, are hereby entered.
2. Respondents shall cease and desist from violating the Act and comply with the requirements of the Act in all future business in this state.
3. Respondents are barred from associating with any broker-dealer or investment adviser licensed in Utah, and from acting as an agent for any issuer soliciting investor funds in this state.
4. Pursuant to Utah Code Ann. § 61-1-6, and in consideration of the factors set forth in Utah Code Ann. § 61-1-31, the Division imposes a total fine in the amount of \$100,000.00, to be paid as set forth in paragraph 54 above.

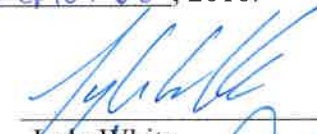
**BY THE UTAH SECURITIES COMMISSION:**

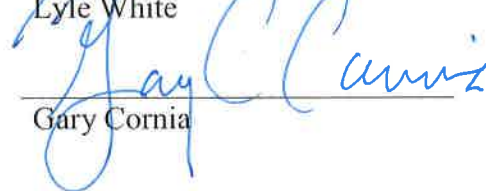
DATED this 29th day of September, 2016.

  
\_\_\_\_\_  
Brent Baker

  
\_\_\_\_\_  
Erik Christiansen

  
\_\_\_\_\_  
Brent Cochran

  
\_\_\_\_\_  
Lyle White

  
\_\_\_\_\_  
Gary Cornia



CERTIFICATE OF MAILING

I certify that on the 2<sup>nd</sup> day of September, 2016, I mailed a true and correct

copy of the fully executed Stipulation and Consent Order to:

Lori Ann Anderson  
Wasatch County Jail  
1365 Highway 40  
Heber, UT 84032  
Inmate #69118

  
Executive Secretary