

ATTENDANCE

SECURITIES COMMISSION

Gary Cornia	Chair
Brent A. Cochran	Commissioner
Lyle White	Commissioner
Lyndon Ricks	Commissioner
Peggy Hunt	Commissioner

DIVISION OF SECURITIES

Thomas A. Brady	Division Director
Sabrina Afridi	Administrative Assistant
Ken Barton	Manager of Compliance
Dave Hermansen	Manager of Enforcement
Bryan Cowley	Manager of Registration and Licensing
Karen McMullin	Investor Education Coordinator
Francswai Grayson	Securities Analyst
Chip Lyons	Securities Analyst
Liz Blaylock	Investigator
Sean Fuller	Investigator
Tyler Hardman	Investigator
Haris Rozajac	Investigator
Spencer Price	Intern

ASSISTANT ATTORNEY GENERALS

Jen Korb	Counsel for Division
Joni Ostler	Counsel for Division
Paula Faerber	Counsel for Division

DEPARTMENT OF COMMERCE

Bruce Dibb	Administrative Law Judge
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GRANT REQUEST APPLICANTS

Christy Tribe	President and CEO, Junior Achievement
Jenie Conors	President, Financial Planning Association (FPA)
Scott Stratton	Member Chair, FPA

WELCOME AND CALL TO ORDER

9:17 AM

Meeting commenced.

Chair Gary Cornia

APPROVAL OF MINUTES

MAY 7, 2020

Commissioner Brent Cochran made a motion to approve the Minutes and Commissioner Peggy Hunt seconded the motion.

✓ The motion was approved unanimously.

GRANT REQUESTS

9:08 AM

Junior Achievement of Utah

Christy Tribe presented the grant request that was submitted for \$5,000.

Commissioner Lyndon Ricks made a motion to approve the \$5,000 request and Commissioner Cochran seconded the motion.

✓ With discussion from Commissioner White, the \$5,000 grant request from Junior Achievement of Utah was unanimously approved by the Commission, pending final approval from the Executive Director.

Utah Financial Planning Association

Jenie Connors presented the grant request that was submitted for \$10,000.

Commissioner Ricks made a motion to approve the \$10,000 request and Commissioner Cochran seconded the motion.

✓ The \$10,000 grant request from Utah Financial Planning Association was unanimously approved by the Commission, pending final approval from the Executive Director.

EDUCATION FUND EXPENDITURE REQUEST

9:26 AM

BRYAN COWLEY

Mr. Cowley presented the reformatted budget and explained the proposed whistleblower award for \$29,997.80. Commissioner White made a motion to approve the request and Commissioner Hunt seconded the motion.

✓ With discussion, the Commission unanimously approved the Education and Expenditure Request (i.e. budget).

DIRECTOR'S REPORT

THOMAS A. BRADY

COVID-19

Director Brady began his report by explaining how the Heber M. Wells Building remains closed to the public for the time being. The Division staff is still approved to work remotely full time and come to the office only as needed.

Protection of Vulnerable Adults from Financial Exploitation Act

Mr. Brady explained the significance of fighting senior exploitation and how the Division has made it a priority. In addition to outreach efforts and advisories, in 2018 the Division ran legislation to better protect Utah seniors and passed the Protection of Vulnerable Adults from Financial Exploitation Act. This legislation provided immunity to broker-dealer firms and investment advisers for delaying transactions and reporting suspected elder abuse. Director Brady shared a success story that was featured in a news story that exemplified the benefits of the legislation. An investment adviser representative contacted Ken Barton of our office and

reported that he was delaying a transaction for an elderly client whom he believed was being defrauded. As a result of this report and Mr. Barton’s proactive efforts the Division was able to prevent this man from losing \$50,000 to a fraud scheme.

Personnel

Director Brady concluded his report with an update on staffing and what actions have been taken by the legislature in light of the pandemic. Dee Johnson, who worked as an investigator in the Enforcement Section, retired from the Department of Commerce this past month. Mr. Johnson was hired in 2001 as an investigator in the Division of Real Estate. In 2012, Mr. Johnson began investigating for the Division of Securities. The Division already had one investigator vacancy prior to Dee’s departure. In light of the COVID crisis the legislature, in addition to revoking the 2.5% COLA for state employees, passed a 5% reduction in the Department’s budget appropriation. Notwithstanding the reduction, the Division was able to seek and obtain approval from the governor’s office to hire one investigator at this time to address the vacancies.

SECTION REPORTS

9:36 AM

COMPLIANCE

KEN BARTON

2020 Year-to-date Exam Statistics

Ken Barton began the Compliance report by explaining exams related to securities licensed entities as well as agents: The total YTD exams Compliance completed for 2020 is 38.

- 37 compliance examinations as follows: 15 for-cause exams opened as a result of an investor complaint or Regulatory Agency referral, and 22 routine examinations. Lastly, 1 new Investment Adviser licensing approval exam. Total exams initiated by the Section YTD 2020 is thirty-eight (38) exams.

Administrative and Criminal Action Updates

Mr. Barton concluded the Compliance report by explaining the 2 Administrative Actions the Compliance section is currently working on:

- We have filed 2 administrative actions which has an initial hearing scheduled for this month. The Section has delivered exams for criminal screening with a prosecutor’s office.

ENFORCEMENT

DAVE HERMANSEN

Complaints

Mr. Hermansen began the Enforcement report by explaining how complaints are coming in at a steady pace, even in light of COVID-19.

- 35 cases currently under investigation.
- 25 cases in the que.
- 2 cases are jointly being investigated with other States.

Administrative Actions

Mr. Hermansen then discussed the status of Administrative Actions as follows:

- 7 Orders to Show Cause have been issued since the last Commission Meeting.
- 6 Orders to Show Cause are outstanding.
- 3 criminal cases.
- The Division issued a temporary restraining order (TRO) on August 5, 2020 against a company that the Division is familiar with as far as who the recidivist is. Mr. Hermansen explained that said company was raising money and the Division felt the TRO was needed to stop additional funds being raised.

Criminal Actions

Mr. Hermansen discussed how the grand jury has not been in session due to the current pandemic, which has slowed down the process on criminal cases. However, beginning next week the grand jury will reconvene and a few cases will be under indictment. Rust Coin is being handled by the Feds, sentencing is in the first week of September 2020, and Denise Rust has entered a guilty plea. Mr. Hermansen concluded the Enforcement report with updates on criminal actions as follows:

- 26 cases being prosecuted or being screened by prosecutors.
- United States Attorney's office has 16 cases.
- Utah Attorney General's office has 9 cases.
- County prosecutors have 1 case.

REGISTRATION AND LICENSING

BRYAN COWLEY

Mr. Cowley began the Registration and Licensing report by reviewing the 2019-2020 changes as follows:

- Broker-Dealers have decreased by 22.
- Broker Dealer Agents have decreased by 3,883.
- Investment Advisers have increased by 8.
- Federal Covered Advisers have increased by 106.
- Investment Adviser Representatives increased by 203.
- Issuer Agents increased by 4.

INVESTOR EDUCATION

KAREN MCMULLIN

Events

Ms. McMullin began the Investor Education report by explaining the impact of COVID-19. The Division has transitioned from counting events and attendance to recording outreach opportunities and modes of sharing the Investor Protection message.

Public Outreach

- The Division partnered with the Utah Office of the State Treasurer on social media outreach efforts regarding investment fraud targeting seniors in Washington County. Resources for additional education included local and national agency information to avoid COVID related scams and protect hard-earned savings.
- The Division submitted the updated "Your Money" brochure for inclusion in the Utah JumpStart Annual Start Smart Teacher Summit online toolkit. The online toolkit aligns with the Utah General Financial Literacy Strands and Standards and provides teachers with lesson plans, games, activities and other resources appropriate for online or in person learning. This year, the virtual event, held on Monday, August 3rd, included approximately 234 K-12 teachers throughout the State of Utah.
- Two media advisories have recently been issued by the Department of Commerce. The first on June 17, 2020 recognizing World Elder Abuse Awareness Day. The advisory highlighted investment fraud risks to seniors due to COVID-19 isolation. Included in the advisory are the warning signs of financial exploitation and the importance of continued contact with older family members, friends, and neighbors. The NASAA sponsored "SeniorSafe" presentation, mentioned in the advisory, focuses on how to recognize and report suspected abuse. The presentation is available to financial and investment professionals by contacting the Division. The second media advisory was issued this week, on Aug. 4, 2020 which Director Brady addressed in his report today.

New Opportunities and Programs

- The Division received an invitation to participate in the annual Financial Planning Association Symposium in September.

AUGUST 6, 2020 | ELECTRONIC MEETING | 9:04 AM – 10:04 AM

- URS coordinated with the Division on creating and offering a Financial Wellness program to its members.
- The Women in the Money conference, tentatively scheduled for Oct. 9, 2020, is a virtual event with the Division participating in both a breakout session and hosting a vendor booth.

Ms. McMullin concluded the report by explaining the Division's website redesign project. Which includes a user-centered strategy for an improved online educational experience for the public.

CONSIDERATION AND APPROVAL OF PROPOSED ORDERS

In the matter of: Maria Guadalupe Maynes | SD-19-0007

Stipulation and Consent Agreement | Presenter: Francswai Grayson

Ms. Maynes agreed to the Proposed Agreement and under this Agreement, Ms. Maynes admits to the Division's Findings and Conclusions of Law. Ms. Maynes agrees to cease and desist from violating the Act and comply with the requirements of the Act in all future business in the State.

Ms. Maynes agrees to be 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 the state of Utah; and from being licensed in any capacity in the securities industry in Utah. Ms. Maynes agrees to pay restitution in the amount of \$5,000, pursuant to the Criminal Action. Under this Agreement, Ms. Maynes agrees to pay \$19,000 pursuant to the terms set forth in paragraph 52 and a fine of \$64,500 to the Division pursuant to the terms set forth in paragraph 53.

Commissioner White made a motion to approve the Agreement and Commissioner Cochran seconded the motion.

- ✓ With discussion from Commissioner White and Commissioner Ricks, the Commission unanimously approved the Agreement.

In the matter of: Patrick John Hutton | SD-20-0011

Stipulation and Consent Agreement | Presenter: Francswai Grayson

Mr. Hutton agreed to the Proposed Agreement and under this Agreement, Mr. Hutton neither admits nor denies the Division's Findings of Facts and Conclusions of Law. Mr. Hutton agrees to cease and desist from violating the Act and comply with the requirements of the Act in all future business in the state of Utah. Mr. Hutton agrees to be 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 the state of Utah; and from being licensed in any capacity in the securities industry in Utah. Mr. Hutton agrees to pay restitution in the amount of \$50,000, pursuant to the Criminal Action. Under this Agreement, Mr. Hutton agrees to pay a total fine of \$70,000 to the Division pursuant to the terms set forth in paragraph 62.

Commissioner White made a motion to approve the Agreement and Commissioner Hunt seconded the motion.

- ✓ With discussion from Chair Cornia, the Commission unanimously approved the Agreement.

MOTION TO ADJOURN

10:04 AM

Chairman Cornia, called for a motion to adjourn the meeting. Commissioner Cochran made the motion and Commissioner Ricks seconded the motion.

- ✓ The Commission unanimously voted to adjourn the meeting.

The next scheduled Securities Commission meeting is on, October 7, 2020 at 9:00 AM

APPROVED: _____
GARY CORNIA, CHAIR DATE