



STATE OF UTAH

DEPARTMENT OF COMMERCE | DIVISION OF SECURITIES

SECURITIES COMMISSION | ELECTRONIC MEETING

APPROVED MEETING MINUTES | JAN 7, 2021 | 9:21 AM - 10:32 AM

PARTIES PRESENT

SECURITIES COMMISSION

Gary Cornia

Brent A. Cochran

Lyle White

Lyndon Ricks

Peggy Hunt

Chair

Commissioner

Commissioner

Commissioner

Commissioner

DIVISION OF SECURITIES

Jason E. Sterzer

Sabrina Afridi

Ken Barton

Dave Hermansen

Bryan Cowley

Karen McMullin

Francswai Grayson

Chip Lyons

Acting Director

Administrative Assistant

Manager of Compliance

Manager of Enforcement

Manager of Licensing and Registration

Investor Education Coordinator

Securities Analyst

Securities Analyst

ASSISTANT ATTORNEY GENERALS

Jen Korb

Paula Faerber

Robert Wing

Counsel for Division

Counsel for Division

Counsel for Division

DEPARTMENT OF COMMERCE

Bruce Dibb

Administrative Law Judge



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WELCOME AND CALL TO ORDER

9:21 AM

Chairman Cornia commenced the Securities Commission meeting.

1. APPROVAL OF OCT 7, 2020 MINUTES

Commissioner Lyle White made a motion to approve the Minutes and Commissioner Brent Cochran seconded the motion.

✓ The motion was approved unanimously.

DIRECTOR'S REPORT | JASON E. STERZER

9:24 AM

Acting Director Jason Sterzer began the Director's report with discussing personnel updates as follows:

- Mr. Sterzer welcomed Margaret Busse who was appointed by Governor Spencer Cox as the Interim Executive Director for the Department of Commerce. Mr. Sterzer expressed how grateful the Division is for the leadership and support of former Executive Director Chris Parker who did a fantastic job during a unique and tumultuous year.
- Mr. Sterzer explained how he remains the Director of the Division of Corporations and Commercial Code and Acting Director for the Division of Securities, for the time being.
- The Compliance Section hired Marc Jones as a Securities Examiner and his first day was on January 4, 2021. Mr. Jones obtained his undergraduate degree in English and Business Management at Brigham Young University and his law degree at Gonzaga University School of Law.
- Upon completing an internal review of the Division's personnel which allowed reclassifying positions in the Compliance and Enforcement Sections, Jeff Teichert's position has been reclassified as Senior Compliance Examiner and Liz Blaylock's position has been reclassified as Senior Enforcement Investigator. Mr. Sterzer gave a final personnel update by explaining the reclassification of an open position as an Investigative Accountant.

Acting Director Sterzer concluded the Director's report with discussing Governor Cox's Executive Order signed on January 4, 2021. The Executive Order requires a review of all regulations concerning licensed professionals and requires each State agency to review administrative rules and regulations, identify outdated or unnecessary barriers that can be removed without jeopardizing the well-being of Utah residents. Mr. Sterzer further explained, upon completing the review, the Division will produce a report of its findings no later than the June 30, 2021 deadline.

SECTION REPORTS

9:29 AM

Compliance | Ken Barton

Mr. Barton began the Compliance report by explaining exams related to securities licensed entities as well as agents. The total end of year exams Compliance completed for 2020 is 43 as follows:

- 20 for-cause exams opened because of an investor complaint or Regulatory Agency referral, and 22 routine examinations. Lastly, 1 new Investment Adviser licensing exam.



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Mr. Barton concluded the Compliance report with Administrative Action updates as follows:

- Presenting a Proposed Stipulation and Consent Order, in the matter of, Brandon C. Stimpson.
- An Administrative Action was filed in December 2020. The initial hearing is scheduled later this month.
- 4 examinations are currently in the drafting stage, pending Administrative Action.
- 3 exams have been screened criminally, pending indictment decisions.

Enforcement | Dave Hermansen

Mr. Hermansen began the Enforcement report with discussing the Enforcement's complaints and case load as follows:

- 36 cases are under investigation.
- 20 cases are in the queue (backlogged) and the 2019 backlog has been completed.

Mr. Hermansen concluded the Enforcement report with updates on criminal actions and cases as follows:

- 23 cases have been given to prosecutors at various levels.
- 3 additional cases have been screened criminally pending decisions from the prosecutors.
- Jersey case sentencing. Recently an individual was sentenced to 4 years in Federal prison followed by 3 years of probation and on Monday, January 11, 2021 the main culprit will be sentenced to Federal prison.

Investor Education | Karen McMullin

Ms. McMullin began the Investor Education report by discussing the events; 29 were scheduled but due to the current nature of the pandemic, 6 of them were held electronically as follows:

- October 9, 2020, the Utah Financial Empowerment Coalition sponsored the conference, "Women in the Money". The Division hosted the vendor and a gold sponsor booth, while providing a speaker during the break-out session. This session was recorded and can be found on: www.WomenInTheMoney.Org.
- November 4, 2020, Dixie State University's Women's Resource Center hosted a webinar: "Women & Money: Earn, Save and Invest." During this webinar, the public had the opportunity to learn about consumer protection information regarding management mobile applications, non-profit resources to pay for higher education, and budgeting tips. This session was recorded and can be found on: www.WRC.Dixie.Edu.
- November 19, 2020, during the Utah State Bar, Annual Securities Section Conference, Jason Sterzer presented the Division's year-to-date regulatory updates and statistics.
- December 10, 2020, in partnership with the Department of Justice (DOJ) and the Securities Exchange Commission (SEC), the Division presented during the "Investment Fraud Prosecution in Utah, the Enforcement Perspective". Dave Hermansen presented on behalf of the Division.

Ms. McMullin concluded the Investor Education report with providing an update on the Division's website redesign project. Currently, the project has been on put on hold, as the Department of Technology Services (DTS) has been reassigned other State agency projects but expect to reconvene in the near future.



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Licensing and Registration | Bryan Cowley

Mr. Cowley began the Licensing and Registration report by discussing State and Federal regulations for individual and firm licensees as follows:

- The Division manages State covered licensing but regulation is managed on both the Federal and State level. Mr. Cowley gave an example of what determines the type of regulations for licensees; registered investment advisers (RIAs)—the assets under management threshold to transition from being State regulated to Federally regulated (by the SEC) is \$110 million dollars.
- The number of licenses there are for both firm and individual licensees are split up between: broker dealer (BD) firms and BD agents, then RIA firms and RIA representatives. Firms, agents, investment advisor representatives are licensed with Utah (aka State covered) and the Division regulates the firm's agents, and State covered advisors and representatives. The Division only regulates Federally covered RIAs and their representatives in the event there are allegations of fraud.
- Mr. Cowley made a gave a final update regarding licensees; Utah is the primary regulator for 241 RIA firms.

Mr. Cowley concluded the Licensing and Registration report by providing the historical statistics for the increase in registered licensees during fiscal years of 2016 to 2020, as follows:

- Broker dealer agents: 118,769 in 2016 and 135,452 in 2020.
- Investment advisers: 215 in 2016 and 241 in 2020.
- Federal covered advisors: 1,035 in 2016 and 1,266 in 2020.
- Investment adviser representatives: 5,257 in 2016 and 5,839 in 2020.

2. EDUCATION FUND EXPENDITURE REQUEST

10:00 AM

Bryan Cowley

Mr. Cowley presented the Education Fund Expenditures and notations and request for approval. The figures and the balance provided to the Commission are correct as of December 7, 2020, and the updated balance as of January 7, 2021, is \$272,217.

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

✓ With discussion from Commissioner Lyndon Ricks, the Commission approved the Education Fund Expenditure Request.

CONSIDERATION AND APPROVAL OF PROPOSED ORDERS

10:04 AM

3. In the matter of: Brandon C. Stimpson | SD-20-0030 Stipulation and Consent Order | Presenter: Chip Lyons

Mr. Stimpson agreed to the Proposed Order and under this Order, Mr. Stimpson neither admits nor denies the Division's Findings and Conclusions. Mr. Stimpson will cease and desist from violating the Act and will comply with the requirements



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of the Act in all future business in the State. Mr. Stimpson 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. Stimpson agrees to pay the Division a total fine of \$125,000 pursuant to Utah Code Ann. §61-1-6 in consideration of the factors set forth in Utah Code Ann. §61-1-31, and pursuant to the terms set forth in paragraph 90 of the Proposed Order.

Commissioner Ricks made a motion to approve the Order and Commissioner Cochran seconded the motion. Commissioner Hunt made a note for the record that she will abstain from the approval as conflicts check results are pending.

✓ With discussion from Commissioner Hunt the Commission approved the Order.

4. In the matter of: Allan C. Millet, PC Capital LP | SD-20-0036, SD-20-0037

Stipulation and Consent Order | Presenter: Francswai Grayson

Mr. Millet and PC Capital agreed to the Proposed Order and under this Order, Mr. Millet and PC Capital admit to the Division's Findings and Conclusions. Mr. Millet and PC Capital agree to cease and desist from violating the Act and comply with the requirements of the Act in all future business in the State. Mr. Millet and PC Capital agree 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. Pursuant to Utah Code Ann. §61-1-20, and in consideration of the factors set forth in Utah Code Ann. §61-1-31, Mr. Millet and PC Capital agree to pay the Division a total fine of \$17,000 pursuant to the terms set forth in paragraph 49 of the Proposed Order.

Commissioner White made a motion to approve the Order and Commissioner Ricks seconded the motion. Commissioner Hunt made a note for the record that she will abstain from the approval as the conflicts check results are pending.

✓ With discussion from Commissioner Hunt the Commission approved the Order.

MOTION TO ADJOURN

10:32 AM

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

✓ The Commission unanimously voted to adjourn the meeting.

The next scheduled Securities Commission meeting is on, April 8, 2021.

APPROVED: *Lyle White*
Lyle White (Apr 13, 2021 14:24 MDT)
LYLE WHITE, ACTING CHAIR

04/13/2021
DATE