



STATE OF UTAH

**DEPARTMENT OF COMMERCE | DIVISION OF SECURITIES
SECURITIES COMMISSION | ELECTRONIC MEETING
MEETING MINUTES | AUG 5, 2021 | 9:00 AM - 10:00 AM**

PARTIES

SECURITIES COMMISSION

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

Chair
Commissioner
Acting Chair
Commissioner
Commissioner (Absent)

DIVISION OF SECURITIES

Jason E. Sterzer
Zoe Gomez
Ken Barton
Dave Hermansen
Bryan Cowley
Karen McMullin
Francswai Grayson
Chip Lyons

Division 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

9:00 AM

Acting Chairman Cornia commenced the Securities Commission meeting.

1. APPROVAL OF APRIL 8, 2021 MINUTES

Commissioner Cornia made a motion to approve the Minutes and Commissioner Cochran seconded the motion.

✓ The motion was approved unanimously.

DIRECTOR'S REPORT | JASON E. STERZER

9:03 AM

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

- ← Mr. Sterzer announced changes in the Division. Eliot Clark had left the division and accepted a position with the Attorney General's Office. Tyler Hardman from Enforcement will fill his position as Security Compliance Examiner.
- ← The Division has hired Matt Bryce as a Security Enforcement Investigator. Matt will replace Tyler in his previous position. Matt graduated with Undergraduate and JD Degrees from Brigham Young University.
- ← Mr. Sterzser announced that Sabrina Afridi left the Division and accepted a position at Clyde Snow.
- ← Mr. Sterzer recognized Julie Price for stepping in as Clerk for this meeting.
- ← Mr. Sterzer mentioned that the Division has reclassified all the Examiner's positions.
- ← Mr. Sterzer concluded the Director's Report recognizing Commissioner Cornia and gave him a plaque for his service. Mr. Sterzer mentioned that a new commissioner has been appointed by Gov. Cox and is waiting for approval.

SECTION REPORTS

9:29 AM

Licensing and Registration | Bryan Cowley

Mr. Cowley began the Licensing and Registration report by thanking Commissioner Cornia for his service and mentioning the following updates:

- ← Broker Dealer Firms went from 1488 to 1506 Increase by 18 or 1.2%
- ← Broker Dealer Agents went from 135,452 to 145,143 an increase of 9691 or 7.1%
- ← RIAs went from 241 to 254 an increase of 13 or 5.4%
- ← Fed Covered RIAs 1266 to 1351 an increase of 85 or 6.7%
- ← RIARS 5839 to 6281 an increase of 442 or 7.5%.

Mr. Cowley concluded his report mentioning the number of licensees are increasing, which is a good sign since licensees are needed to serve the ever-growing population of Utah residents. For reference to his conclusion, Utah's population has grown 1.95% this year.



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Compliance | Ken Barton

Mr. Barton began the Compliance report by explaining the amount of open examinations and closed ones.

- ← For the fiscal year ending June 30, 2021 the Compliance Section opened forty-nine examinations and closed forty-eight exams. Of the 49 exams open, 20 were cause exams initiated by an investor complaint or regulatory referral, 25 were routine exams, and four were licensing application examinations. The 40% Cause Exam percentage is in line with or slightly below the five-year average.
- ← Of the 48 examinations closed during the period, 38 were closed by exit or deficiency letters, 10 were closed by referral for agency action.
- ← For Fiscal Year 20-21 the Compliance Examiner employee turnover percentage was 60%.
- ← On June 28, 2021 the Compliance Section added Tyler Hardman to the Securities Examiner position. Tyler was hired by the Division in August 2014 as a Securities Investigator in The Enforcement Section. Tyler obtained his Bachelor's degree from the University of Utah in 2014, where he graduated with a major in Political Science and a concentration in Portuguese. Tyler then obtained his law degree from the University of Oregon School of Law. While in law school, Tyler had the opportunity to intern for the Securities and Exchange Commission.

Enforcement | Dave Hermansen

- ← Mr. Hermansen opened his report explaining the process of hiring new Investigators and it takes up to a year to fully train and that they have new openings for new investigators.
- ← Tyler Hardman moved from the Enforcement section to the Compliance section.
- ← Mr. Hermansen explained that since they are short on Investigators he expects the number of open cases will slow down until they hire a new investigator.
- ← He continues with the current number of open cases. There are 39 active cases, of which 18 are currently in the queue to be investigated. There are 25 criminal cases, most of which are being prosecuted by the Attorney General's Office.
- ← Mr. Hermansen concluded his report with the good news that the Courts have started holding trials and he expects the open cases will go to trial this year.

GRANT REQUESTS

9:37AM

1. *Junior Achievement of Utah, Inc.*

Commissioner Ricks made a motion to approve the amount requested of \$5,000.00 and Commissioner Cochran seconded the motion. The motion was unanimously approved.

3. *Utah Financial Empowerment Coalition*

Commissioner Ricks made a motion to approve the amount of \$10,000.00 based on the submitted application and previous performance. Commissioner White seconded the motion. The motion was unanimously approved.

4. EDUCATION FUND EXPENDITURE REQUEST

10:11AM



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Aaron Burgoyne

Mr. Burgoyne made a request for \$80,394.98 to be used for Investigation and Litigation. Commissioner Cochran made a motion to approve the request and Commissioner White seconded the motion.

✓ The Commission unanimously approved the Education Fund Expenditure Request.

5. CONSIDERATION AND APPROVAL OF PROPOSED ORDER(S)

Francswai Grayson

Mrs. Grayson started explaining the case. The Division opened an investigation into the entity Flannel Damage in May 2018, after receiving a complaint from an Arizona investor alleging securities fraud. Richard Baldwin is a Utah resident and was once licensed in the securities industry. Mr. Baldwin was the manager and registered agent of Flannel Damage, and was involved in the offer and sale of a security to one investor totaling \$50,000.

← On January 22, 2019, the Division filed an Order to Show Cause against Mr. Baldwin and other Respondents alleging unlicensed activity and securities fraud. Mr. Baldwin was cooperative during the Division's investigation.

← The Division and Mr. Baldwin mutually agreed to enter into a Stipulation and Consent Agreement to settle the Division's causes of action against Mr. Baldwin. Commissioner Ricks made a motion to approve the Proposed Order and Commissioner Cochran seconded the motion.

✓ The motion was unanimously approved in the matter of Richard R. Baldwin.

MEETING ADJOURNED

10:17 AM

The next scheduled Securities Commission meeting is on Oct 14, 2021.

APPROVED:


GARY CORNIA, ACTING CHAIR

DATE