

Division of Securities
Utah Department of Commerce
160 East 300 South, 2nd Floor
Box 146760
Salt Lake City, UT 84114-6760
Telephone: (801) 530-6600
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**BEFORE THE DIVISION OF SECURITIES
OF THE DEPARTMENT OF COMMERCE
OF THE STATE OF UTAH**

IN THE MATTER OF: ZACHARY LOCKLEAR, GNOLAUM ENTERPRISES LLC, Respondents.	STIPULATION AND CONSENT ORDER Docket No. SD-20-0018 Docket No. SD-20-0019
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The Utah Division of Securities (“Division”), by and through its Director of Enforcement, Dave Hermansen, and Respondents Zachary Locklear (“Locklear”) and Gnolaum Enterprises LLC (“Gnolaum”) (collectively referred to herein as “Respondents”) hereby stipulate and agree as follows:

1. Respondents have been the subjects of an investigation by the Division into allegations that they violated the Utah Uniform Securities Act (“Act”), Utah Code Ann. §61-1-1 (securities fraud), §61-1-3(1) (unlicensed activity), §61-1-7 (sale of unregistered security) and §61-1-16 (false statements unlawful) while engaged in the offer and/or sale of securities in or from Utah.
2. On or about May 12, 2020, the Division initiated an administrative action against Respondents by filing an Order to Show Cause.
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 Order to Show Cause.
4. Respondents admit that the Division has jurisdiction over them and over 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 or other agreements have been made by the Division, nor by any representative of the Division, to induce Respondents to enter into this Order, other than as described in this Order.
7. Respondents are represented by attorney Chase Larkin from Shumway Van and are satisfied with the legal representation they have received.

FINDINGS OF FACTS

THE RESPONDENTS

8. Gnolaum is a defunct Utah limited liability company registered with the Utah Division of Corporations and Commercial Code on May 8, 2015. Locklear was listed in entity documents as the only member of Gnolaum, and United States Corporation Agents, Inc. was listed as the registered agent for the entity.¹ Locklear established a TD Ameritrade trading account for Gnolaum, in which Locklear had sole trading authority. According to entity documents, Gnolaum's purported purpose was to "*Diversify in multiple ventures: Trading-Real Estate-Non-profit startups*". Gnolaum has never been licensed with the Division, and has never recorded a securities registration, exemption from registration, or notice filing with the Division.
9. Locklear resided in Salt Lake County, Utah and Utah County, Utah during all times relevant to the allegations asserted herein and has never been licensed in the securities industry.

GENERAL ALLEGATIONS

10. The Division's investigation of this matter revealed that from December 2015 to March 2018, while conducting business in or from the state of Utah, Respondents offered and sold investment

¹ Gnolaum's entity documents listed a principal address as 2364 W 12600 S, STE #2F, Riverton, UT 84065. The Utah Division of Corporations and Commercial Code lists the entity's registration as expired as of August 27, 2019.

opportunities to at least twenty-two investors, and raised approximately \$440,365 in connection therewith. Of the twenty-two investors Locklear solicited, four investors (three from Utah and one from California) with a combined investment of \$49,000 are included in this administrative proceeding.²

11. The investment opportunities offered and sold by Respondents are investment contracts or promissory notes, which are defined as securities under §61-1-13 of the Act.
12. In connection with the offer and/or sale of securities, Respondents, directly or indirectly, made material omissions and/or misrepresentations of material facts regarding Respondents' intended use of the investor's funds.
13. Locklear utilized investor funds in a manner inconsistent with the representations Locklear made to investors. For example, investor money was used to fund Locklear's personal expenses such as: rent payments, church tithing, hotel accommodations, and credit card payments.
14. During the Division's investigation, Locklear produced to the Division a significantly incomplete list of investors in his options investment scheme. Several more investors were uncovered during the course of the Division's investigation.
15. To date, all the investors who were willing to speak to the Division have been paid back their initial principal investments.³

GNOLAUM INVESTMENTS

THE SOLICITATIONS AND INVESTMENTS

16. From approximately December 2015 to March 2018, Locklear solicited at least twenty-four investors, many of whom were his close family and friends.

² Approximately twenty-two investors were uncovered during the Division's investigation, including investors located in North Carolina. Eighteen investors are not included in the Division's administrative proceedings based upon a lack of cooperation and/or jurisdiction. However, the total amount Locklear solicited from investors, including investors who did not participate in the Division's investigation, is \$440,365.

³ After the Division contacted Locklear for an interview in furtherance of the Division's investigation, Locklear's mother began to pay back investors' initial principal investments.

17. Many of the investors Locklear targeted for his options and futures investment scheme were also members of the Native American Church of Jesus Christ Latter-day Saints (“LDS”) church community.
18. Locklear told investors that he would use their investment funds to generate above- average returns by trading options and futures, and that he was licensed in the securities industry to do so.
19. Locklear typically solicited investors by phone, but also in person.
20. During the solicitations, Locklear made numerous statements to investors regarding the options and futures investment opportunity, including, but not limited to, the following:
 - a. That Locklear was experienced in trading options and futures;
 - b. Locklear was a licensed securities trader affiliated with TD Ameritrade;
 - c. Investor funds would be used solely to trade options and futures;
 - d. Investors could expect a 10% to 25% return per year, and in some instances 60% - 120% returns within six months to a year;
 - e. Upon request, investors could withdraw their investment funds at any time;
 - f. Locklear would receive commissions of 10% to 20% from profits on the trades Locklear placed in the Gnolaum TD Ameritrade account using investor funds; and
 - g. Locklear created a novel algorithm that allowed him to predict the markets, and that a bank offered Locklear \$1 million to purchase the rights to the algorithm.
21. Based upon Locklear’s statements, investors invested approximately \$49,000 in multiple investments over a two-year period in Locklear’s options and futures investment scheme. The investments were wired into Locklear’s personal TD Ameritrade trading account ending in 8541, and personal Wells Fargo bank account ending in 2442, located in Salt Lake County or Utah County, Utah.
22. Investors had no role in Locklear’s options and futures investment scheme or Gnolaum, other than providing investment funds.

THE INVESTMENT AGREEMENT

23. In exchange for their investments in Locklear's options and futures investment offering, Locklear gave investors documents entitled "promissory note" with signature lines for the investors and Locklear. One "promissory note" was dated, notarized, and signed by Locklear and the investor on August 31, 2017 and August 29, 2017 respectively. Another investment agreement was dated and signed by the investors and Locklear on July 9, 2018, and included a payment schedule to pay returns to investors.
24. The investment agreements included the amount invested, the expected annual interest rate, and a monthly payment schedule to pay interest.

FRAUDULENT CONDUCT: USE OF INVESTOR FUNDS

25. An analysis of Locklear's personal TD Ameritrade account, Locklear's personal Wells Fargo bank account, and Gnolaum's TD Ameritrade account revealed that Locklear used investor funds in a manner inconsistent with what Locklear represented at the time of solicitation.
26. Locklear told investors that their investments would be used to achieve above-average market returns by trading options and futures. While Locklear did use a portion of investor funds to trade options and futures, Locklear also used a significant portion of investor funds to pay Locklear's personal expenses.
27. Locklear misused investor funds in a number of ways, including, but not limited to, the following:
 - a. Approximately \$8,782 to pay for airfare, fast food, hotel accommodations, wireless phone bills, Direct TV, Comcast, Apple iTunes, Harmons, Maverick, Netflix, Amazon, Walmart, and other general retail spending;
 - b. Approximately \$4,026 to pay credit card bills, and cash advance payments;
 - c. Approximately \$3,533 to pay personal rent, utilities, and insurance premiums;
 - d. Approximately \$2,978 in personal Venmo cash transfers; and
 - e. Approximately \$368 to pay church tithing.

FRAUDULENT CONDUCT: FALSIFIED ACCOUNT STATEMENTS

28. From about 2017 to 2019, Locklear provided at least one investor with falsified account statements showing an inaccurate and inflated growth of her investments.
29. At one point, the investor believed her account to be worth \$7,000 more than her initial investment based upon Locklear's false reporting.

MISSTATEMENTS AND OMISSIONS

30. In connection with the offer and/or sale of securities, Locklear made material misstatements to investors including, but not limited to, the following:
 - a. That investor funds would be used exclusively to trade options and futures, and that Locklear would receive commissions based upon the profits from those trades, when in fact, this claim was false;
 - b. Investors could expect to receive returns of 10% to 25% per year, and in some instances returns of 60% - 120% within six months to a year, when in fact, there was no reasonable basis to make this claim;
 - c. Locklear had been generating above average returns for investors, when in fact, this claim was false;
 - d. Upon request, investors could withdraw their investment funds from Gnolaum, when in fact, this claim was false;
 - e. Locklear was a licensed securities trader affiliated with TD Ameritrade, when in fact, this claim was false; and,
 - f. Locklear created a novel algorithm that allowed him to predict the markets, and that a bank offered Locklear \$1 million to purchase the rights to the algorithm, when in fact, this claim was false.
31. In connection with the offer and/or sale of securities, Locklear omitted material information to investors including, but not limited to, the following:

- a. Locklear would use investor money to pay Locklear's personal expenses;
 - b. Locklear would provide false account statements to investors reflecting an incorrect and inflated account value;
 - c. Locklear misused previous investor funds;
 - d. Locklear was not licensed to sell securities or affiliated with TD Ameritrade as a broker-dealer agent; and
 - e. Some or all of the information typically provided in an offering circular or prospectus concerning Respondents relevant to the investment opportunity, such as:
 - i. Business and operating history;
 - ii. Financial statements;
 - iii. Information regarding principles involved in the company;
 - iv. Conflicts of interest;
 - v. Risk factors;
 - vi. Suitability factors for investment; and
 - vii. Whether the securities offered were registered in the state of Utah.
32. To date, all investors who were willing to speak to the Division have been paid back their initial principal investments.

INTERVIEW WITH THE DIVISION

33. In the Division's October 7, 2019 interview with Locklear, the Division asked Locklear if he told investors that he would keep a percentage of the profits from trades with investor funds. Locklear's response was, *"I mean, initially, I did tell them that. And then I found out, you know, you can't do that. I was like, yeah, we're not going to... you know, that's not a pay [sic] anymore."*
34. In the same interview, when the Division asked what Locklear told investors about investor's ability to withdraw their funds, Locklear replied, *"I mean, I told them it would, you know, be the same way that they'd send it to me to be for a wire or something... But it wouldn't... I mean, due*

to some trades, you know... like the expiration on them could be, you know, up to a week or so or whatever. And I just told them, you know, it could take a couple of weeks or whatever."

35. When the Division asked if Locklear ever told investors that he was licensed in the securities industry, Locklear replied, "[...] I made sure that that was always known. I'm not licensed in any way."
36. Locklear also told Division investigators that Locklear had only raised approximately \$65,000 from six investors. However, the Division uncovered several more investors who invested over \$400,000 more than Locklear reported to the Division.
37. Based upon the Division's interviews with multiple investors, and Locklear's interview with the Division, Locklear made several misrepresentations to the Division during the Division's investigation.

LOCKLEAR'S PARALLEL CRIMINAL PROCEEDING

38. On October 29, 2020, Locklear was charged with Securities Fraud and Unregistered Securities Agent in a parallel criminal action in Utah's Third District Court, in Salt Lake City, Utah (Salt Lake County), Case Number 201912447 (the "Criminal Action").
39. On October 29, 2021, Locklear plead guilty to Securities Fraud, a third-degree felony.
40. At sentencing in the Criminal Action, Locklear was ordered by the court to be placed on probation for 60 months, register on the White-Collar Crime registry for a period of five years, and not to become self-employed and/or employed in any position where Locklear would directly or indirectly engage in acts or practices which would constitute the offer and/or sale of a security within the State of Utah, or in any fiduciary capacity.

CONCLUSIONS OF LAW

Securities Fraud under § 61-1-1(2) of the Act

41. Based upon the Division's investigative findings, the Division concludes that the investment opportunities offered and sold by Respondents are investment contracts and/or promissory notes,

which are securities under §61-1-13 of the Act.

42. In violation of § 61-1-1(2) of the Act, and in connection with the offer and/or sale of a security, Respondents directly or indirectly misrepresented material facts, as described above.
43. In violation of § 61-1-1(2) of the Act, and in connection with the offer and/or sale of a security, Respondents omitted material facts which were necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading as described above.

Securities Fraud under § 61-1-1(3) of the Act

44. In violation of § 61-1-3(1) of the Act, Respondents directly or indirectly engaged in an act, practice, or course of business which operated as a fraud or deceit on investors. That conduct includes but is not limited to Respondents conversion and misuse of investor funds for purposes not disclosed to or authorized by investors.

Unlicensed Activity under § 61-1-3(2)(a) of the Act

45. In violation of §61-1-3(2)(a) of the Act, Gnolaum acted as an unlicensed broker-dealer at the time of the offering, and employed Locklear, an unlicensed agent of Gnolaum.

Unlicensed Activity under § 61-1-3(1) of the Act

46. In violation of § 61-1-3(1) of the Act, Locklear was not licensed in the securities industry in any capacity when he offered and sold securities on behalf of Gnolaum.

Sale of Unregistered Securities under § 61-1-7 of the Act

47. In violation of § 61-1-7 of the Act, the Gnolaum investment was not registered with the Division, did not qualify for an exemption from registration, and was not a federal-covered security for which any notice filing was made before Respondents offered and sold the security in the state of Utah. It is unlawful for any person to offer or sale any security in this state unless it is registered, an exempted security or transaction, or is a federal-covered security for which notice filing has been made.

False Statements to the Division under § 61-1-16 of the Act

48. In violation of §61-1-16 of the Act, Locklear made or caused to be made, false or misleading statements to the Division during an investigation, when Locklear made numerous false statements to the Division during his interview with the Division.

REMEDIAL ACTIONS/SANCTIONS

49. Respondents admit the Division's Findings of Fact and Conclusions of Law, and consent to the below sanctions being imposed by the Division.
50. Respondents represent that the information they have provided to the Division as part of its investigation is accurate and complete.
51. Respondents agree to cease and desist from violating the Act and to comply with the requirements of the Act in all future business in the state of Utah.
52. Respondents 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.
53. Pursuant to Utah Code Ann. §61-1-20, and in consideration of the factors set forth in Utah Code Ann. §61-1-31, the Division imposes a total fine amount of \$20,500 (paid jointly and severally) against Respondents. Respondents agree to pay \$10,000 of the fine to the Division within 30 days of entry of the final Order by the Commission. Respondents agree to pay the remaining fine of \$10,500 to the Division in equal quarterly payments within 12 months following entry of the final Order by the Commission. The first quarterly payment of \$2,625 will be due on August 31, 2022; the second quarterly payment of \$2,625 will be due on November 30, 2022; the third quarterly payment of \$2,625 will be due on February 28, 2023; and the final quarterly payment of 2,625 will be due on June 1, 2023.

FINAL RESOLUTION

54. Respondents and the Division acknowledge that this Order, upon approval by the Commission, shall be the final compromise and settlement of this 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.
55. If Respondents materially violate 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 the total fine amount is increased by 20% and becomes immediately due and payable, less any payments already made. Notice of the violation will be provided to Respondents at their last known address, and to their counsel if they have one. If Respondents fail to request a hearing, or fail to cure any missed fine payment, within ten (10) days following the notice, there will be no hearing and the order granting relief will be entered.
56. 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 this 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 actions brought by third-parties against them have no effect on, and do not bar this administrative action by the Division against them.

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 this Order in any way. Upon entry of the Order, any further scheduled hearings involving Respondents are canceled. The Order may be docketed in a court of competent jurisdiction.

Dated this 26 day of April, 2022



Dave R. Hermansen
Director of Enforcement
Utah Division of Securities

Dated this 26 day of April, 2022

Zachary M. T. Locklear

Zachary Locklear


Gnolaum Enterprises LLC

By: Zachary M. T. Locklear

Zachary Locklear

Its: Manager

Approved:



Jennifer Korb
Stephen Gillies
Assistant Attorneys General
Utah Attorney General's Office
Counsel for the Division

Chase Larkin

Chase L. Larkin, Esq.
SHUMWAY VAN
Counsel for Respondents

ORDER

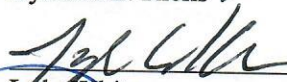
IT IS HEREBY ORDERED THAT:

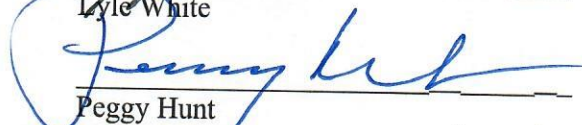
1. The Division's Findings and Conclusions, which Respondents admit, are hereby entered.
2. Respondents shall cease and desist from violating the Act and comply with the requirements of the Act in all future business in the state of Utah.
3. Respondents shall be barred from associating with any broker-dealer 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.
4. Pursuant to Utah Code Ann. §61-1-20, and in consideration of the factors set forth in Utah Code Ann. §61-1-31, Respondents shall pay a fine of \$20,500 to the Division pursuant to the terms set forth in paragraph 53.

BY THE UTAH SECURITIES COMMISSION:


DATED this 28 day of April, 2022


Lyndon L. Ricks


Lyle White


Peggy Hunt


Mark Zimbelman


Brent Cochran

CERTIFICATE OF SERVICE

I certify that on the **28** day of **April** 2022, I mailed & emailed a true and correct copy of the **STIPULATION AND CONSENT ORDER** to:

Chase L. Larkin (Attorney for Respondents)
SHUMWAY VAN
368 E. Riverside Dr., Suite 3A
St. George, Utah 84790
chase@shumwayvan.com

Zackary Locklear
461 W 13490 S Apt. 206
Draper, Utah 84020
zachmtlocklear7@gmail.com

Gnolaum Enterprises, LLC
2364 W. 12600 S.
Riverton, Utah 84065

And emailed to:

Chase L. Larkin
chase@shumwayvan.com


Zackary Locklear
zachmtlocklear7@gmail.com

Bruce Dibb, Administrative Law Judge
Department of Commerce
bdibb@utah.gov

Stephen Gillies, Assistant Attorney General
Utah Attorney General's Office
sgillies@agutah.gov

Jennifer Korb, Assistant Attorney General
Utah Attorney General's Office
jkorb@agutah.gov

Dave R. Hermansen, Manager of Enforcement
Utah Division of Securities
dhermans@utah.gov



Zoe Gomez-Gonzalez, Administrative Assistant



SPENCER J. COX
Governor

DEIDRE M. HENDERSON
Lieutenant Governor

UTAH DEPARTMENT OF COMMERCE

Division of Securities

MARGARET W. BUSSE
Executive Director

JASON STERZER
Division Director

Division of Securities – Payment Schedule

Respondent: ZACHARY LOCKLEAR, GNOLAUM ENTERPRISES LLC

Docket No.: SD-20-0018, SD-20-0019

Please make your fine and/or restitution payments according to the Order signed by the Utah Securities Commission.

For your convenience, we have created this payment schedule for you to follow to stay up to date on your payments. Please contact the Division at securities@utah.gov with questions or comments.

Payment Due	Payment Amount	Payee
May 28, 2022	\$10,000.00	Utah Division of Securities
August 31, 2022	\$2,625.00	Utah Division of Securities
November 30, 2022	\$2,625.00	Utah Division of Securities
February 28, 2023	\$2,625.00	Utah Division of Securities
June 1, 2023	\$2,625.00	Utah Division of Securities
TOTAL	\$20,500.00	



SPENCER J. COX
Governor

DEIDRE M. HENDERSON
Lieutenant Governor

UTAH DEPARTMENT OF COMMERCE

Division of Securities

MARGARET W. BUSSE
Executive Director

JASON STERZER
Division Director

Division of Securities – Payment Instructions

The Utah Division of Securities accepts the following payment types: checks and wire payments. Instructions for each of these methods are listed below. Please contact the Division at securities@utah.gov with questions or comments.

1. TO PAY BY CHECK:

Checks should be made payable to Utah Division of Securities. Payment by check may be mailed to the address at the right.

NOTE: Include your case number on the check (Example "SD-10-0000")

Utah Division of Securities
PO Box 146760
Salt Lake City, Utah
84114-6741

2. TO PAY BY WIRE TRANSFER:

If the payments are \$1,000 or larger, you may still send a check, or you can use the information at the right to send a wire transfer.

NOTE: Payers are responsible for covering any wire fees or cost. This fee **MUST** be paid for by the payer and not deducted from the total amount. Upon sending a wire transfer, please notify the Division by sending an email to securities@utah.gov with the case number (Example "SD-10-0000") and the amount of the wire transfer.

Financial Institution Information	
Beneficiary Name:	Utah Department of Commerce
Beneficiary Account Number:	510801129
Bank Name:	Wells Fargo Bank
Address:	420 Montgomery St. San Francisco CA, 94104
Bank Routing Information (ABA #):	121000248
Swift Code	WFBIUS6SXXX
Memo:	Stipulation