



STATE OF UTAH
DEPARTMENT OF COMMERCE | DIVISION OF SECURITIES
SECURITIES COMMISSION | ROOM 403
APPROVED MEETING MINUTES | APRIL 28,2022 | 9:00 AM - 10:00 AM

PARTIES

SECURITIES COMMISSION

Lyle White	Chair
Brent A. Cochran	Commissioner
Peggy Hunt	Vice Chair
Lyndon Ricks	Commissioner
Mark Zimbelman	Commissioner

DIVISION OF SECURITIES

Jason E. Sterzer	Division Director
Zoe Gomez	Administrative Assistant
Ken Barton	Manager of Compliance
Dave Hermansen	Manager of Enforcement
Bryan Cowley	Manager of Licensing and Registration
Francswai Grayson	Manager of Communication and Outreach
Aaron Burgoyne	Investigative Accountant
Trista Lopez	Administrative Office Specialist
Zac Nelsen	Enforcement Investigator
Cidne Orchard	Enforcement Investigator
Sarah Hatton	Compliance Intern

ASSISTANT ATTORNEY GENERALS

Jen Korb	Counsel for Division
Stephen Gilles	Counsel for Division

DEPARTMENT OF COMMERCE

Bruce Dibb	Administrative Law Judge
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WELCOME AND CALL TO ORDER

9:05 AM

Chairman White commenced the Securities Commission meeting.

1. APPROVAL OF JANUARY 13,2022 MINUTES

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

✓ The motion was approved unanimously.

DIRECTOR'S REPORT | JASON E. STERZER

9:06 AM

- Director Jason Sterzer began the report congratulating Commissioner Hunt for her reappointment for the Commission and continues with the following:
- During this Legislative Session it was approved and increase on funding for compensation for analyst and investigators for the division. It was also approved funding for the investigative database and the communication and outreach effort.
- Other bills passed that benefit the division are HB335 and HB343.
- Updates in our staff, On March 1, Karen McMullin celebrated her 20th year with the state of Utah and subsequently announced her retirement. Karen's Investor Education efforts and outreach have left a lasting impact on the Division and on investors across the state.
- Francswai Grayson has been promoted to be the Outreach and Communication manager. More details on her report.
- The Compliance Section added an intern Sarah Hatton as part of the Brigham Young University Law School Intern Fellowship program. Sarah will be working on a special sweep exam project involving approximately 250 Utah-covered Registered Investment Adviser ("RIA") firms. The primary focus of the exam is to identify operational red flags for RIA firms and their agents that are precursors to potential involvement in fraudulent investment schemes. A secondary focus is to identify the use of complex alternative products in client portfolios.
- The Division hired Zac Nelsen as a Securities Enforcement Investigator. Zac previously worked as a police officer for the Las Vegas Metropolitan Police Department and as a Judicial Assistant for the 3rd District Court. He holds a Criminal Justice degree from Southern Utah University.

SECTION REPORTS

9:18 AM

Licensing and Registration | Bryan Cowley

- Mr. Cowley commenced his report by highlighting the role of one of his Securities Examiners in the licensing and registration section, Nathan Summers.
- Nathan has been a securities examiner for 7.5 years. He is an attorney who graduated from University of Akron Law School with a joint JD/MBA in 2013. The registration and licensing section, are the team of gatekeepers for the securities industry within our state.



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- Nathan is responsible for reviewing the backgrounds of individuals who have been elevated for review due to issues in their past. These issues are typically: customer complaints, regulatory actions, terminations, criminal complaints, liens, or bankruptcies.
- In 2021 Nathan reviewed 729 Broker Dealer firm, agent, IA rep licenses that were elevated for his review. Of those reviewed, he approved 679 applications. Nathan concluded his reviews within 30 days 93.14% of the time, with average time to complete an application review being 11.66 days. Continuous process improvement since he's been in this position has led to more applications being reviewed before approval while simultaneously improving the percentage of application reviews being completed within 30 days.
- Nathan has done quality work for the Division for several years and Mr. Cowley used this time to publicly his professional achievement and thank him for continuing to be a great gatekeeper for the Utah's securities industry.

Compliance | Ken Barton

- Mr. Barton reported that on the 2021-2022 fiscal year to date, the Compliance Section opened 43 examinations and closed 28 exams. Of the 43 exams opened 19 were "cause exams" initiated by an investor complaint or regulatory referral, 18 were routine exams, 4 were investment adviser licensing application examinations, and 3 were Vulnerable Adult firm reports warranting further Utah Division of Securities ("Division") investigation. Of the 28 examinations closed during the period 20 were closed by exit/deficiency letter with no additional agency action, 8 were closed by referral for agency action. The Compliance Section's fiscal year exam goals are 41-43 exams to be open and 41-43 to be closed by June 30,2022.
- The Division had 3 licensed/formerly licensed broker-dealer agents and/or investment adviser representatives that has criminal charges filed in Utah Third District Court. The criminal information for the 3 persons includes the following: 4 counts of securities fraud, 1 count of enhances securities fraud, 3 counts of sale of unregistered securities, 3 counts unlicensed investment advising and 3 counts of pattern of unlawful activity.
- During March the Compliance Section added an intern Sarah Hatton as part of the Brigham Young University Law School Intern Fellowship program. Sarah is working with Ken on special sweep exam project involving approximately 250 Utah-covered Registered Investment Adviser (RIA) firms. The primary focus of the exam is to identify operational red flags for RIA firms and their agents that are precursors to potential involvement in fraudulent investment schemes.

Enforcement | Dave Hermansen

- Mr. Hermansen starting his report by giving a congratulations to Jason Sterzer for his hard work with the Legislature and working hard for our division. Second Mr. Hermansen gives a big thank you and recognizes the enforcement section for their hard work as well.
- The enforcement section currently has 57 open investigations of which 23 are unassigned and 30 criminal cases.
- Mr. Hermansen continues by reporting about the Live Abundant case which includes 13 people which 3 of them are licensed agents. This is a case that the AG's office is working on criminally and has 35 counts.
- On March 30th Gaylene Rust was sentenced on the Federal Court to 19 years in Federal Prison and to pay a restitution of 153 million dollars. The counts were wire fraud, securities fraud and money laundering. His son will be sentenced on May 31st.



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Communication and Outreach | Francswai Grayson

Mrs. Grayson is the new manager for this section and she reported the following:

- The new section within the Division will encompass all the Division's outreach with the public, including investor education. The Division's new initiative is to expand the way we educate and communicate with the public. Francswai continues with her report mentioning that we have some fantastic ideas on how to approach investor education. Mainly to expand our Utah audience and different groups, also by engaging in more community service.
- On February 25, Karen McMullin presented a new financial exploitation seminar called "Take Care". The NASAA presentation was customized specifically for the Early Stage Memory Loss series hosted by the non-profit organization called Memory Matters. The presentation was given virtually with attendees located on the Dixie University campus in St. George, UT. Approximately 27 people were in attendance.
- On March, the Division received 5,000 copies of the newly published "Utah Investor Guide Strategies for Investing Wisely and Avoiding Financial Fraud" from Lightbulb Press. The Division customized the content and used grant money held in Utah's account with Investor Protection Trust to fund the project. The books will be distributed to Utah residents free of charge. Approximately 1,000 copies have been set aside for upcoming events in May and June including the Utah Library Association Conference, Southern Utah Senior's Conference, and the Utah Financial Literacy Teacher's Conference sponsored by the Utah JumpStart Coalition. In addition, approximately 35 copies have been shared with interested individuals.

2. EDUCATION FUND EXPENDITURE REQUEST

10:32 AM

Aaron Burgoyne

- Mr. Burgoyne presented the Education Fund Expenditure Request for approval covering January 1, 2022 through March 31, 2022

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

- ✓ The Commission unanimously approved the Education Fund Expenditure Request.

CONSIDERATION AND APPROVAL OF PROPOSED ORDER(S)

10:43 AM

3. In the matter of RizeUp LLC SD-19-0020 and Fred Samuel Keele SD-19-0021

Stipulation and Consent Order Presented by Francswai Grayson

- The Division opened an investigation into RizeUp LLC and Fred Keele after receiving a referral from another state agency. Mr. Keele is a resident of Utah and solicited \$113K from four Utah investors to start a company that was going to develop an online crowdfunding platform. Mr. Keele and RiseUp were not licensed in the securities at the time of the solicitations.
- On May 9, 2019, the Division filed an Order to Show Cause against the Respondents alleging unlicensed activity and securities fraud.



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- The Respondents were cooperative during the Division's investigation. Related to this matter before you, on July 31, 2019, Mr. Kelle was also charged criminally in Utah's 4th district court in Utah County with Pattern of Unlawful Activity. On October 12, 2021, Mr. Keele plead guilty to Pattern of Unlawful Activity. He was ordered to pay restitution of \$93.30, serve 90 days in jail, be placed on probation for 60 months, and to register on the White-Collar Crime registry.
- The Division and Mr. Keele mutually agreed to enter into a Stipulation and Consent Agreement to settle the Division's causes of action against Mr. Keele and RiseUp. Mr. Keele was not represented by counsel during discussions. The terms of the Stipulation and Consent Agreement provide that:
 1. Mr. Keele admits the Division's Findings of Fact and Conclusions of Law.
 2. Mr. Keele agrees to cease and desist from violating the Utah Uniform Securities Act further.
 3. Mr. Keele agrees to be barred from the securities industry in the state of Utah.
 4. Mr. Keele agrees to pay a fine of \$10K to the Division, \$2K of which will be paid to the Division within 30 days should the Commission approve this agreement. Mr. Keele agrees to pay the remaining fine of \$8K after Mr. Keele completes restitution payments in the criminal case; however, the Division will waive the remaining \$8K fine if Mr. Keele timely pays criminal restitution payment.

Commissioner Hunt made a motion to approve the Stipulation and Consent Order and Commissioner Hunt seconded the motion.

- ✓ The Commission unanimously approved the Stipulation and Consent Order.

4. In the matter of BlockFi Lending LLC SD-22-0010

Stipulation and Consent Order Presented by Francswai Grayson

- The BlockFi stipulation and consent order before you arose from a joint initiative and NASAA investigation whereby BlockFi offered and sold hundreds of offerings called interest-bearing digital assets without first registering the securities or meeting an exemption with the states. NASAA stands for the North American Securities Administrators Association and is a collective membership body of state securities regulators in the U.S. Canada, and Mexico.
- Typically, if securities violations are uncovered in multiple states, NASAA forms a working group to collaborate with all states regarding the same regulatory issue. This streamlines the regulatory process for the Respondent at issue. That is what occurred in this case. NASAA partnered with the SEC to negotiate the agreement before you to address BlockFi's registration issues related to their interest-bearing digital assets. BlockFi neither admits nor denies the findings of fact and conclusions of law. The total fine BlockFi will pay is \$100M dollars. \$50M will go to the SEC, and \$50M will be divided evenly amongst the states.
- The Division will receive a total fine of \$943,396.22 in 5 equal payments of \$188,679.24 over the next two years. The first payment will be made within 14 days should the Commission approve this agreement.

Commissioner Cochran made a motion to approve the Stipulation and Consent Order and Commissioner Zimelman seconded the motion.

- ✓ The Commission unanimously approved the Stipulation and Consent Order.



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5. In the matter of Premier Sporting Events LLC SD-21-0016 and Kinnin Doc Sandlin SD-21-0017

Stipulation and Consent Order Presented by Francswai Grayson

- The Division opened an investigation into Premier Sporting Events LLC and Kinnon Sandlin after receiving a complaint. At the time of solicitation, Mr. Sandlin was a resident of Utah and solicited \$235K from one Utah investor to promote soccer sporting events in the U.S. Mr. Sandlin and Premier Sporting Events were not licensed in the securities at the time of the solicitations.
- On October 4, 2021, the Division filed an Order to Show Cause against the Respondents alleging unlicensed activity, unregistered security, and securities fraud.
- The Division and Mr. Sandlin mutually agreed to enter into a Stipulation and Consent Agreement to settle the Division's causes of action against Mr. Sandlin. Mr. Sandlin was represented by counsel during discussions. The terms of the Stipulation and Consent Agreement provide that:
 1. Mr. Sandlin neither admits nor denies the Division's Findings of Fact and Conclusions of Law.
 2. Mr. Sandlin agrees to cease and desist from violating the Utah Uniform Securities Act further.
 3. Mr. Sandlin agrees to be barred from the securities industry in the state of Utah.
 4. Mr. Sandlin agrees to pay a fine of \$7500 to the Division, \$3,750 of which will be paid to the Division within 30 days should the Commission approve this agreement. Mr. Sandlin agrees to pay the remaining fine of \$3,750 to the Division within 3 months of the final Order by the Commission.

Commissioner Cochran made a motion to approve the Stipulation and Consent Order and Commissioner Hunt seconded the motion.

- ✓ The Commission unanimously approved the Stipulation and Consent Order.

6. In the matter of Zachary Locklear SD-20-0018 and Gnolaum Enterprises LLC SD-20-0019

Stipulation and Consent Order Presented by Francswai Grayson

- The Division opened an investigation into Zachary Locklear and Gnolaum Enterprises after receiving a complaint. At the time of solicitation, Mr. Locklear was a resident of Utah and solicited \$440,365 from 22 investors, most of whom were family and friends, to invest their funds in his options trading scheme. Mr. Locklear and Gnolaum Enterprises were not licensed in the securities industry at the time of the solicitations.
- The Division and Mr. Locklear mutually agreed to enter into a Stipulation and Consent Agreement to settle the Division's causes of action against Mr. Locklear and his entity. Mr. Locklear was represented by counsel during discussions. The terms of the Stipulation and Consent Agreement provide that:
 1. Respondents admit to the Division's Findings of Fact and Conclusions of Law.
 2. Respondents agree to cease and desist from violating the Utah Uniform Securities Act further.
 3. Respondents agree to be barred from the securities industry in the state of Utah.
 4. Respondents agree to pay a fine of \$20,500 to the Division, \$10K of which will be paid to the Division within 30 days should the Commission approve this agreement. Respondents agree to pay the remaining fine of \$10,500 to the Division in equal quarterly payments within 12 months. The first payment of \$2625 will be due to the Division on August 31, 2022.



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Commissioner Hunt made a motion to approve the Stipulation and Consent Order and Commissioner Zimbelman seconded the motion.

✓ The Commission unanimously approved the Stipulation and Consent Order.

MEETING ADJOURNED

11:02 AM

The next scheduled Securities Commission meeting is August 18,2022

APPROVED: *Lyle White*
Lyle White (Aug 18, 2022 15:29 MDT)

CHAIRMAN WHITE

DATE