

SECURITIES COMMISSION MEETING
MINUTES

August 26, 2010

Securities Staff

Keith Woodwell, Division Director
Dave Hermansen, Director of Compliance
Benjamin Johnson, Director of Corporate Finance
Michael Hines, Director of Enforcement
Nadene Adams, Administrative Assistant
Thomas Brady, Analyst
Chip Lyons, Analyst
Brandon Henrie, Examiner
Doug Wawrzynski, Investigator
Adam Sweet, Investigator
Tony Patterson, Attorney General's Office
Jeff Buckner, Division Attorney
Julie Price, Board Secretary

Commission Staff

Laura Polacheck, AARP
Jane Cameron, Zion's Bank
Erik Christiansen, Parsons Behle & Latimer
Michael O'Brien, VanCott Bagley Cornwall & McCarthy
Tim Bangerter, Bangerter Financial Group

Public

Brad Bertoch

Grant Request- Wayne Brown Institute: The grant request for Wayne Brown Institute was presented by Brad Bertoch. The Commission reviewed this request and put it to a vote.

Action: Erik Christiansen made a motion to approve the grant for \$15,000.00. The motion was seconded and carried.

Consideration of Zion's Bank Liquid Asset Management Stipulation & Consent Order (ZBLAM): Dave Hermansen reported that ZBLAM'S use of Contango's investment adviser registration without the knowledge of Contango caused Contango to file false documents with the Division because Contango's Form ADV did not disclose the ZBLAM activities, and also caused the Division Director to falsely certify Contango to the Money Management Council. ZBLAM held itself out and acted as an investment adviser in Utah. ZBLAM consented to pay a \$50,000.00 fine, inform the Division in writing of the specific measures undertaken to comply with the order, and comply with the requirements of the Act in all future business.

Action: Jane Cameron and Erik Christiansen recused themselves. Michael O'Brien made a motion to approve the Stipulation and Consent Order. The motion was seconded and carried.

Open Meetings & GRAMA Training: Tony Patterson with the Attorney General's Office provided Commission and Division staff members training on open meetings and GRAMA.

Minutes: Erik Christiansen made a motion to approve the June 24, 2010 minutes. The motion was seconded and carried.

Consideration of New Securities Commission Chair for Fiscal Year 2011: The Commission made nominations for the 2011 Commission chair. Tim Bangerter made a motion to have Michael O'Brien serve as chair. The motion was seconded and carried.

Director's Report: Director Woodwell provided the Commission with a letter that outlined the Division's investor education efforts. He was particularly proud of the "I'm a con man" public service campaign. This campaign included television, billboard, and radio ads which seem to be working. The Division has seen an increase in the number of inquiries as a result of this campaign. He encouraged the Commission to visit the Division's new website which has some good tools on it.

Director Woodwell gave an update on the status of the base budget and the investor education and training fund. He explained that the budget was pretty much the same as last year's budget. The only difference being in personnel services.

Director Woodwell provided the commission with a new Division organizational chart. He introduced three new employees; Brandon Henrie, Adam Sweet, and Doug Wawrzynski. Brandon will be working as a securities examiner in the licensing/compliance section. Doug and Adam will be working as investigators for the enforcement section. Diana Parrish and Susan Jones have retired from the Division. All but one of the securities examiner positions has been filled. This position should be filled shortly.

Director Woodwell provided an update on suits filed against the Division. One other suit has been filed since last commission meeting listing the Division as a third party. He also gave an update on the Sunset Review. Laura Polacheck and Erik Christiansen from the commission met Director Woodwell up at the capital last week to meet with the Business and Labor Interim Committee. Due to scheduling conflicts with the committee, this review has been postponed until September.

Compliance & Licensing Section Report: Dave Hermansen reported that two examiners flew to Dallas, Texas for the NASAA Investment Adviser Training. This training was focused on investment advisers and the switch from Federal registration to state licensing. The Division will continue their outreach program sometime in December or January. There will be a public meeting that will also available be on the web.

The Division will be holding an SEC training in which several examiners from the SEC will train staff members on what to expect from those higher end investment advisers that the Division will be taking on. Dave gave an update on his sections caseload: working on 24 complaints, 7 cases unassigned, 4 actions ready for completion, and 5 ARS settlements that need to be completed.

Corporate Finance Section Report: Benjamin Johnson reported that in the recently passed financial reform bill, there was not a lot that touched corporate finance on a state level. As far as Reg D 506 offerings, Congress did exclude the value of a person's primary residence from the net worth calculation in determining if someone is an accredited investor. That is something that NASAA and state regulators have been pushing for. This legislation is effective immediately.

There were two other items that touch on Reg. D that were delegated to the commission by Congress. First, the commission was directed to come up with "bad boy" disqualification provisions for 506 offerings. Second, the commission was to regularly adjust the accreditation standards for inflation.

Enforcement Section Report: Michael Hines reported that his section is continuing filing cases thru the county attorneys and the attorney generals office. There was some publicity about eight or nine months ago in the Salt Lake Tribune about the widow in the Trolley Square shooting. This victim lost all of her insurance money to an investment opportunity. They are prepared to take action on this case.

Education Fund Expenditure Report: Benjamin Johnson reviewed the updated expenditure report for the Education and Training Fund and discussed the line items that were being requested by the Division for Commission approval. This included additional funds for improvements to the enforcement database.

Action: Erik Christiansen made a motion to approve the Education Fund Expenditure Report. The motion was seconded and carried.

Approval of Stipulation and Consent Orders

Aussie Enterprises, LLC: Tom Brady reported Aussie Enterprises, LLC directly or indirectly, made false statements to the investor by saying that the investment funds would be used for a real

property investment, the investor would receive a certain percentage back on his investments, and that the investor would receive his principal plus interest in thirty days. The company directly or indirectly, failed to disclose material information which was necessary in order to make the representations made not misleading. Aussie Enterprises, LLC consented to pay a \$17,100 fine, cease and desist from violating the Utah Uniform Securities Act, and cooperate with the Division in any future investigations.

Action: Erik Christiansen made a motion to approve the Stipulation and Consent Order. The motion was seconded and carried.

Albert Clark Alvey: Dave Hermansen reported that Mr. Alvey misrepresented or omitted material facts necessary in order to make statements that were made not misleading. He accepted compensation for securities transactions from Deseret Financial, an entity not licensed as a broker-dealer and with which he was not licensed as a securities agent. He also failed to report his business activities with Deseret Financial. Mr. Alvey consented to pay a \$75,000.00 fine, not seek licensure or apply to be licensed by the Division, provide truthful testimony and cooperation with any state or federal investigation, and cease and desist from violating the Utah Uniform Securities Act.

Action: Tim Bangerter made a motion to approve the Stipulation and Consent Order. The motion was seconded and carried.

American Resource Corp.: Tom Brady reported that American Resource Corporation sold unregistered securities to at least five investors. American Resource Corporation consented to pay a \$150,000.00 fine, cooperate with the Division in any future investigations, cease and desist from violating the Utah Uniform Securities Act, and William Skokos agrees that he will be permanently barred from associating with any broker-dealer or investment adviser licensed in Utah and acting as an agent for any issuer soliciting investor funds in Utah.

Action: Erik Christiansen made a motion to approve the Stipulation and Consent Order. The motion was seconded and carried.

Pacific Lending, LLC. Jeff Buckner reported that the Division would like to dismiss this action because Pacific Guzman was already criminally convicted and has already served time for this.

Action: Erik Christiansen made a motion to delegate authority to the division director to dismiss the action. The motion was seconded and carried.

Next Meeting – Thursday, October 28, 2010 at 2:00 p.m.

Eric Christiansen made a motion to adjourn the meeting. The motion was seconded and carried.

Approved: _____
Michael O'Brien
Chairman

Date: _____