

SECURITIES COMMISSION MEETING
MINUTES

May 26, 2011

Securities Staff Present

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
Sharon Weinle, Examiner
Julie Price, Board Secretary

Commissioner's Present

Erik Christiansen, Parsons Behle & Latimer
Michael O'Brien, VanCott, Bagley, Cornwall & McCarthy
Tim Bangerter, Bangerter Financial Group

Commissioner's Absent

Jane Cameron, Zion's Bank
Laura Polacheck, AARP Utah

Public Present

Brad Bertoch

Minutes: A motion was made seconded to approve the March 17, 2011 minutes. There was a typographical error on the first page of the meeting minutes. The word limine was spelled incorrectly. The motion was passed unanimously with the corrected change.

Director's Report: Director Woodwell expressed his appreciation to Michael O'Brien for all his efforts serving on the Securities Commission. Commissioner O'Brien will be missed.

Director Woodwell has spoken to Jan Graham about taking the newly vacant seat on the Securities Commission. She has agreed to do this. The Division has sent Mrs. Graham's resume to the Governor's office for approval. He anticipates that this will be taken care of by the Commission's next meeting in July.

Director Woodwell gave an update on the budget. With the fiscal year ending in June, the budget is in pretty good shape. The total budget for the year was \$1.62 million dollars and the Division is on track to come in \$80,000.00 in the black. This is due to several staff vacancies.

Director Woodwell introduced the Division's newest staff member, Sharon Weinle. She will be an examiner under the licensing/compliance section and is well qualified for this position. The Division is in the process of filling two other vacancies; one in corporate finance section and another in the licensing/compliance section.

Director Woodwell gave an update on the Investor Education Fund. The current balance is about \$750,000.00 and the Division will be able to carry over \$500,000 of those funds for the next fiscal year. He expects that about \$500,000.00 will be lapsed back into the general fund. The Division still has several large settlements expected for the next fiscal year.

Director Woodwell highlighted several investor education efforts. In March, KUED put on the Utah Money Watcher's Conference. He was pleased with how this event went. Commissioner

Polacheck was one of the presenters and the Governor Herbert gave the key note address. In April, Director Woodwell spoke at the National SIFMA Conference in Phoenix, Arizona. About 1,000 licensees from all over the country attended this conference.

Compliance & Licensing Section Report: Dave Hermansen reported that over the last few months his staff has been focused on the approval of investment advisers. They have received 145 applications and have reviewed 72 of them. His staff is in the process of sending out comment letters for those applications that are incomplete. Mr. Hermansen hopes to have them wrapped up within the next three weeks.

NASAA is conducting a Broker Dealer Training in Fort Lauderdale, Florida in June. Darren Miller will be attending this training.

Corporate Finance Section Report: Benjamin Johnson reported that over the last five months 506 filings have increased 15.5 percent. Coordinated registrations have also increased 12.5 percent.

Enforcement Section Report: Michael Hines reported that he did a two hour training session with the district attorney's office and staff on white collar crime. Mr. Hines is very pleased with the response that the Division is getting out of this unit. They are continuing to ask for more white collar crime cases.

Currently, the enforcement section has five cases on hold. Executive Director, Francine Giani, gave the Division approval to rehire former enforcement investigator, Joseph Gatton back on a contract basis for the summer. Joseph has just recently finished his first year of law school and was able to work those cases that were on hold.

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 the grant request by the Utah Jump\$tart Coalition and Wayne Brown Institute; Division operating costs, enforcement investigations and litigations expenses, licensing investigations and litigations expenses, and expert witness expenses.

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

Consideration of Grant Requests

Utah State University: Keith Woodwell presented this grant request. He asked that this grant be tabled until the next commission meeting.

Utah Jump\$tart Coalition: Keith Woodwell presented this grant. The Commission reviewed this grant and put it to a vote.

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

Wayne Brown Institute: Brad Bertoch presented this grant. Director Woodwell asked that this grant be funded the beginning of the new fiscal year. The Commission reviewed this grant and put it to a vote.

Action: Erik Christiansen made a motion to approve the grant for \$20,000.00 to be funded the beginning of the next fiscal year. The motion was seconded and carried.

Approval of Stipulation and Consent Orders

Tin Cup Mining Corporation & Giles H. Florence: Tom Brady reported that between December 2002 and May 2003, Mr. Florence collected a total of \$160,525.00 from three investors. Mr. Florence told investors their money would be used to get production started at two gold mines owned by Tin Cup Mining and promised returns in excess of \$300%. Mr. Florence gave investors promissory notes, some of which were in the form of a "Gold Bullion Contract," to evidence their investments. With the exception of one small payment to an investor, Mr. Florence and Tin Cup Mining made no payments of interest or principal to any of the investors. The respondents, directly or indirectly, made misstatements of material fact in connection with the offer and sale of a security to a Utah investor. The respondents, directly or indirectly, failed to disclose material information which was necessary in order to make the representations not misleading. The respondents also misstated and omitted to state material facts in connection with the offer and sale of a security. Mr. Florence is 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: Michael O'Brien made a motion to approve the Stipulation and Consent Order. The motion was seconded and carried.

BBRAE, LLC & B. Ronald Brown: Tom Brady reported that in March 2007, Mr. Brown offered a married couple in Utah County the opportunity to invest in real estate. Mr. Brown failed to tell the investors, among other things, that he had filed for bankruptcy in 2003 and had a history of civil litigation, one action of which was alleged fraud. Mr. Brown, directly or indirectly, made false statements in connection with the offer and sale of a security to the investors. Mr. Brown also, directly or indirectly, failed to disclose information which was necessary in order representations not misleading, in connection with the offer and sale of a security. The respondents will cease and desist from violating the Utah Uniform Securities Act, cooperate with the Division in any future investigations; Mr. Brown agrees to be permanently barred from the securities industry, and pay restitution as ordered in the criminal case.

Action: Michael O'Brien made a motion to approve the Stipulation and Consent Order. The motion was seconded and carried.

John D. Taylor: Tom Brady requested that this stipulation and consent order be tabled until the next commission meeting.

Harmonic Energy, Inc: Benjamin Johnson reported that the respondent failed to submit a complete filing with all documents and fees as required in Utah Code Annotated and Utah Administrative Code. The respondent is ordered to suspend the offer and sale of federal covered securities and cease and desist from engaging in any act or practice constituting a violation of Utah Code Annotated and Utah Administrative Code.

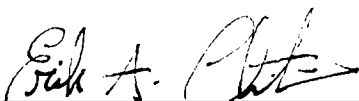
Action: Erik Christiansen made a motion to approve the Order Suspending the Offer and Sale of a Federal-Covered Security. The motion was seconded and carried.

UBS Securities, LLC & UBS Financial Services, Inc.: Dave Hermansen reported that UBS's ARS program was inconsistent with how it was promoted to clients and financial advisors. UBS Wealth Management's Financial Advisors represented ARS to clients as safe, liquid, cash alternatives to money-market instruments. UBS failed to reasonably supervise its financial advisors. UBS engaged in dishonest or unethical practices in the marketing and sale of ARS. UBS shall cease and desist from violating the Utah Uniform Securities Act and will comply with the Act. Pay a fine of \$372,147.18 to the State of Utah within 30 days following the entry of this order. UBS shall take certain measures with respect to certain and former customers as related to "Eligible ARS".

Action: Michael O'Brien made a motion to approve the Stipulation and Consent Order. The motion was seconded and carried.

Next Meeting – July 28, 2011 at 2:00 pm.

Tim Bangerter made a motion to adjourn the meeting. The motion was seconded and carried.

Approved: 
Chairman

Date: 7/28/11