

SECURITIES COMMISSION MEETING
MINUTES
June 24, 2010

Securities Staff

Dave Hermansen, Director of Compliance
Benjamin Johnson, Director of Corporate Finance
Michael Hines, Director of Enforcement
Nadene Adams, Administrative Assistant
Thomas Brady, Analyst
Julie Price, Board Secretary

Commission Staff

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

Minutes: A motion was made and seconded to approve the April 28, 2010 minutes. The motion passed unanimously.

Director's Report: Director Woodwell was out of town for this meeting and prepared a written director's report for commission members. Michael Hines highlighted a few key points from this report. The Division has been receiving a lot of attention from the PSA billboards and public radio spots on the fraud issue as well as the Fraud College which will be held next week. Dave Hermansen and Michael Hines gave an update on the positions they are in the process of filling.

Compliance & Licensing Section Report: Dave Hermansen reported that the compliance and licensing sections had recently been combined into one section. Dave gave the licensing numbers for the month of May which included: 11 broker dealers, 1,717 agents, 3 investment advisers, and 68 investment advisor agents. He also gave an updated on his sections caseload: 19 pending cases (an additional 4 not issued out due to personnel shortages), 14 cases pending litigation, and 4 cases ready to be closed. Dave stated that they had 3 ARS settlements today with 5 waiting to be drafted and approved and 3 others that had not negotiated a settlement.

Corporate Finance Section Report: Benjamin Johnson reported that on the legislative front that they are at the conference committee stage and congressional negotiations. Benjamin reported that registrations and mutual funds have been fairly flat, while state exemption files have doubled, and rule 506 filings are up over 10%.

Enforcement Section Report: Michael Hines reported 18 months ago his section had 6 investigators and 2 attorneys working as analysts. This has since collapsed to 2 investigators and one attorney. Enforcement investigations are imploding but not necessarily because of the caseload. Investigator Susan Jones left behind 6 cases in trial which meant pulling investigators off their own caseload ready these cases for prosecution. Diana Parrish will also be leaving a few cases. Michael did some research on what percentage of orders of restitution by criminal courts was actually paid. The average over the last five years was only 11%.

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 furniture remodel.

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

Natural Law Dynamics, LLC: Tom Brady reported Natural Law Dynamics, LLC., directly and indirectly made false statements in which they would provide investors with monthly reports detailing the use and location of their investment monies when in fact they did not do so, promissory notes offered to investors carried no foreseeable risk and carried an interest rate of 36% per year. Natural Law Dynamics and Thomas Dyches, in connection with the offer and sale of securities, directly or indirectly failed to disclose material information, which was necessary in order to make the representations misleading. This material information included: information typically provided in an offering circular or prospectus regarding Natural Law Dynamics, LLC., Dyches was selling securities which were not registered, Dyches was not licensed to sell securities, Natural Law Dynamics, LLC., was not registered as a broker-dealer. Thomas Dyches consented to pay a fine of \$5,000.00 to the Division and to cease and desist from violating the Utah Uniform Securities Act.

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

RBC Capital Markets Corporation: Dave Hermansen reported

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

Silverleaf Capital Partners 1, LLC.: Michael Hines reported that Silverleaf Capital Partners directly and indirectly made false statements in which the company would invest a portion of its own money toward the investment, personally guarantee the investment, the investors would receive equity interest in the investment company, that Dwight Shane Baldwin held a securities license. Silverleaf Capital Partners consented to pay a \$250,000.00 fine, the imposition of a cease and desist order, and cooperated in any future investigations and or prosecutions.

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

Stifel, Nicolaus & Company, Inc.: Dave Hermansen reported

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

T & A Investment, Inc.: Tom Brady reported that T & A Investment was not registered in Utah as an investment firm and that Alan Northcutt was not licensed as a broker-dealer, agent, investment advisor, or investment advisor representative in Utah. T & A Investments directly or indirectly, made false statements indicating that there was no risk with the investment and that there was no way the investor would lose his money, when in fact, the investor has been unable to recoup his principal funds. T & A Investments directly or indirectly failed to disclose material information, which was necessary in order to make the representations made not misleading. T & A Investments consented to pay a \$250,000.00 fine, cease and desist from violating the Utah Uniform Securities Act, and cooperate with the Division in any future investigations.

There was a discussion between the Commission and Division about having harsher penalties for those that violate our security rules and regulations. The problem facing the Division is that they currently have limited resources to go after these violators. The Commission approved these stipulations only because of the Division's limited resources.

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

Morgan Stanley & Company, Inc.: Dave Hermansen reported

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

Change Without Boundaries, Inc.: Tom Brady reported that Change Without Boundaries, Inc. and Martin Crowe were never registered in Utah and was not licensed by the Division to sell securities. Change Without Boundaries, Inc., directly or indirectly, failed to disclose material information, which was necessary in order to make representations made not misleading. This material information included: some information typically provided in an offering circular or prospectus and how the investment funds would be used if the minimum capitalization was not achieved. Change Without Boundaries, Inc. consented to pay a \$10,000.00 fine and to cease and desist from violating the Utah Uniform Securities Act.

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

Resort Clubs International, LLC: Tom Brady reported Resort Clubs International, LLC directly or indirectly, makes false statements which included: that the investment would be used to develop and market a resort in Guatemala, the investment was guaranteed, and that the investment would be secured by commissions Jeffrey Robinson made. The respondents, directly or indirectly, failed to disclose material information including: some or all of the information typically provided in an offering circular or prospectus, Robinson was not licensed to sell life insurance and therefore could not make commissions on the sale of life insurance, and Robinson was in debt to his family and friends and would use some of the investment to repay those debts. Resort Clubs International, LLC and Jeffrey Robinson consented to cease and desist from violating the Utah Uniform Securities Act, Robinson is permanently barred from associating with any broker-dealer or investment adviser licensed in Utah and acting as an agent for any issued soliciting investor funds in Utah, pay a fine of \$350,000.00, and cooperating with the Division in any future investigations.

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

Next Meeting – Thursday, August 26, 2010 at 2:00 p.m.

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

Approved: _____
Laura Polacheck
Chairman

Date: _____