

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
FAX: (801)530-6980

**BEFORE THE DIVISION OF SECURITIES
OF THE DEPARTMENT OF COMMERCE
OF THE STATE OF UTAH**

IN THE MATTER OF:

**MEDALLION EQUITY GROUP,
BARRY CURTIS CLOYD, and
JAMES THOMAS COTTRELL,**

Respondents.

ORDER TO SHOW CAUSE

Docket No.

Docket No.

Docket No.

88-10-0024
88-10-0025
88-10-0026

It appears to the Director of the Utah Division of Securities (Director) that Medallion Equity Group, Barry Curtis Cloyd, and James Thomas Cottrell have engaged in acts and practices that violate the Utah Uniform Securities Act, Utah Code Ann. § 61-1-1, et seq. (the Act). Those acts are more fully described herein. Based upon information discovered in the course of the Utah Division of Securities' (Division) investigation of this matter, the Director issues this Order to Show Cause in accordance with the provisions of § 61-1-20(1) of the Act.

STATEMENT OF JURISDICTION

1. Jurisdiction over Respondents and the subject matter is appropriate because the Division alleges that they violated § 61-1-1 (securities fraud) of the Act while engaged in the offer

and sale of securities in or from Utah.

STATEMENT OF FACTS

THE RESPONDENTS

2. Medallion Equity Group (Medallion) is a Nevada corporation, formed on February 21, 2006. James T. Cottrell and Barry C. Cloyd are the managing members of Medallion. Medallion's status as a business entity is revoked. Medallion has never been licensed as a broker-dealer, agent, investment advisor, or investment advisor representative in Utah.
3. James Thomas Cottrell (Cottrell) was, at all relevant times, a resident of the State of Utah. Cottrell has never been licensed as a broker-dealer, agent, investment advisor, or investment advisor representative in Utah.
4. Barry Curtis Cloyd (Cloyd) was, at all relevant times, a resident of the State of Utah. Cottrell has never been licensed as a broker-dealer, agent, investment advisor, or investment advisor representative in Utah.

GENERAL ALLEGATIONS

5. From approximately May 2006 to September 2006, Respondents offered and sold securities to two investors, in or from Utah, and collected a total of \$170,000.
6. Respondents made material misrepresentations and omissions in connection with the offer and sale of securities to the investors below.
7. The investors lost \$152,000 in principal.

INVESTOR MP

8. In or about May 2006, MP met with Cloyd about an investment opportunity in his company, Medallion. Cloyd identified Cottrell as another principal of the company. The meeting took place in MP's home in Soda Springs, CA.
9. During the conversation, Cloyd asked MP to invest \$250,000 in Medallion and made the following representations:
 - a. Medallion made money by investing in hedge funds and using a computer program to trade in foreign currency;
 - b. MP would receive monthly interest payments at an annual rate of approximately 40% for his \$250,000 investment;
 - c. 90% of MP's investment would be used for foreign currency trading and the other 10% would be invested in a hedge fund;
 - d. The minimum investment amount was \$250,000;
 - e. The investment in the hedge fund would help mitigate the risk of currency trading;
 - f. If anything went wrong with the currency trading, MP's investment would be backed up by the money in the hedge fund; and
 - g. Cloyd personally guaranteed the investment and said he would repay MP with personal funds if MP lost money.
10. From May 2006 through September 2006, MP and Cloyd spoke about the investment over the telephone from his home in California.
11. During these conversations, Cloyd made the following representations:

- a. He would reduce the minimum investment amount to \$150,000 for MP because he was family and offered to pay MP \$6,000 per month in interest;
 - b. He personally guaranteed the investment and MP could not lose money;
 - c. The computer program used by Medallion to monitor the price of the Euro and the American Dollar alerted Medallion's traders to when the best time would be to make a trade;
 - d. Even if currency trading went poorly, MP would make money from the hedge fund investment;
 - e. MP could request his principal back at the end of any month;
 - f. If MP requested his principal to be returned, MP would receive the principal plus the interest payment for that month, and pay no penalty;
 - g. MP's money was to be pooled with other investor's funds;
 - h. Medallion already controlled \$10 million in investment funds for an undisclosed number of investors; and
 - i. Medallion made money only by taking a percentage of trading profits.
12. Based on Cloyd's representations, MP decided to invest \$150,000.
 13. On or about September 8, 2006, MP electronically transferred \$150,000 from MP's Plumas Bank account in Soda Springs, California to Medallion's Washington Mutual bank account in Draper, Utah.
 14. While MP would provide the capital and share in the profits, he had no managerial

responsibilities or control of the enterprise as a result of his investment in Medallion, nor did he qualify as an accredited investor at the time of the investment. MP never received any written disclosures regarding the investment program.

15. Between September and December 2006, MP received three payments on his investment totaling \$18,000.
16. To date, Cloyd still owes MP \$132,000 in principal.

INVESTOR JW

17. In 2006, JW heard about Cottrell through relatives who said that Cottrell was making significant amounts of money. Later, JW discussed an investment opportunity with Cottrell at a residence in Lehi, Utah.
18. During the discussion, Cottrell made the following representations about the investment opportunity:
 - a. He was making a lot of money by trading in foreign currency;
 - b. He was looking for people to invest in his foreign currency trading program;
 - c. He wanted individuals to invest \$100,000 or more;
 - d. He was using a computer program to trade foreign currency; and
 - e. The trading program would set “fool-proof” limits on foreign currency trades.
19. Some time during the summer of 2006, Cottrell told JW that the investment had to be paid by a cashier’s check because Cottrell would be combining JW’s money with other investor funds in order to meet the \$100,000 desired investment.

20. In late summer 2006, JW and his wife met with Cottrell for dinner in Sandy, Utah. Another couple was also present.
21. During dinner, JW told Cottrell that JW had taken money out of two separate 401(k) accounts and could not afford to lose the money. Cottrell made the following representations:
 - a. He was “numb” to amounts as small as \$20,000 because he dealt with millions of dollars each day;
 - b. JW’s money would be used in a foreign currency trading program;
 - c. JW could request his principal back at any time without penalty;
 - d. Upon request, JW could receive his entire principal amount back within thirty days;
 - e. The foreign currency trading computer program that Cottrell used did not allow Cottrell to lose money;
 - f. The trading program was “fool-proof;”
 - g. He was the only person who could execute trades;
 - h. Cottrell was the only person who had access to JW’s investment funds;
 - i. He was not licensed to sell securities, but was taking steps to become “legal” and get the appropriate license to trade accounts of others;
 - j. He had been working alone, but had recently partnered with other individuals to start Medallion;

- k. He partnered with these individuals because they were already licensed to sell securities;
 - l. Most people who lose money trading do so because they get emotionally involved; and
 - m. He was especially good at not getting emotionally involved in trading.
22. Based on Cottrell's representations, JW invested \$20,000 with Cottrell.
23. During the dinner late in the summer of 2006, JW gave Cottrell a \$20,000 cashier's check.
24. The day following the dinner, Cottrell e-mailed the terms of the investment to JW.
25. On or about September 11, 2006, Cottrell deposited the \$20,000 into a Chase Bank account shared with his wife. A source and use analysis of the credit union records shows that the \$20,000 was used in the following manner:
- a. Approximately \$13,000 towards Cottrell's personal expenses including:
 - i. Dining;
 - ii. Utilities;
 - iii. Entertainment;
 - iv. Groceries;
 - v. Household items;
 - vi. Mortgage payments;
 - vii. Insurance;

- viii. Student loans;
 - ix. Clothing; and
 - x. Charitable donations.
- b. \$2,500 paid to JW's brother-in-law;
 - c. \$2,990.62 paid to another individual; and
 - d. \$1,228.01 paid to a third individual.
26. Cottrell still owes JW \$20,000 in principal.

CAUSES OF ACTION

COUNT I

Securities Fraud under § 61-1-1 of the Act

27. The Division incorporates and re-alleges paragraphs 1 through 26.
28. The investment opportunities offered and sold by Respondents are securities under § 61-1-13 of the Act.
29. In connection with the offer and sale of securities to the investors, Respondents, directly or indirectly, made false statements, including, but not limited to, the following:
- a. Cloyd personally guaranteed the investment and claimed the investor could not lose money, when in fact, Cloyd had no basis to make such a claim;
 - b. The minimum investment in Medallion was \$250,000, when in fact, Respondents collected smaller investment amounts;
 - c. Investments were backed by money invested in a hedge fund, when in fact, this was not true;

- d. Investors could withdraw investment principal at the end of any month without penalty, when in fact, this was not true;
 - e. Medallion controlled \$10 million in investment funds, when in fact, Medallion only received \$1.5 million from investors;
 - f. Cottrell dealt with “millions” of dollars each day, when in fact, Cottrell admitted to the Division that he only accepted \$1.5 million from investors;
 - g. Medallion used investor funds exclusively to trade foreign currency, when in fact, funds were used for personal expenses and paying other investors;
 - h. The foreign currency trading computer program Cottrell utilized did not allow Cottrell to lose money, when in fact, Cottrell had already lost approximately \$1 million of investor funds before MP and JW invested¹; and
 - i. Cottrell was the only person who had access to investor funds, when in fact, Cottrell’s wife also had access to the funds.
30. In connection with the offer and sale of securities to the investors, Respondents, directly or indirectly, failed to disclose material information, including, but not limited to, the following, which was necessary in order to make representations made not misleading:

¹Cottrell met with the Division and said that his forex trading was profitable from about November 2005 through April 2006. During that time the trading account grew to approximately \$1 million. Some time during April 2006, Cottrell said that he lost a large amount of money and by the time MP invested, Cottrell had lost the entire \$1 million.

- a. Cottrell filed for Chapter 7 Bankruptcy protection in 2003²;
- b. Trading losses Cottrell sustained beginning in April 2006 and continuing through the end of 2006;
- c. Cottrell's experience with or qualifications for trading foreign currency account for others;
- d. How foreign currency trading worked;
- e. The identity of the hedge fund used by Medallion to mitigate risk, or such hedge fund's manager;
- f. Investor funds may be used for purposes other than foreign currency trading, including Cottrell's personal expenses; and
- g. Some or all of the information typically provided in an offering circular or prospectus regarding Medallion, such as:
 - i. Financial statements;
 - ii. Risk factors for investors;
 - iii. Suitability factors for the investment;
 - iv. Medallion's business and operating history;
 - v. The identities of Medallion's principals, along with the principals' business experience;
 - vi. The number of other investors; and

²*United States Trustee v. James Thomas Cottrell*, Case #03-33625 (Utah 2003).

- vii. Medallion's track record to investors.

ORDER

The Director, pursuant to § 61-1-20 of the Act, hereby orders Respondents to appear at a formal hearing to be conducted in accordance with Utah Code Ann. §§ 63G-4-202, -204 through -208, and held before the Utah Division of Securities. The hearing will occur on Tuesday, September 7, 2010, at 9:00 a.m., at the office of the Utah Division of Securities, located in the Heber Wells Building, 160 East 300 South, 2nd Floor, Salt Lake City, Utah. The purpose of the hearing is to establish a scheduling order and address any preliminary matters. If Respondents fail to file an answer and appear at the hearing, the Division of Securities may hold Respondents in default, and a fine may be imposed in accordance with Utah Code Ann. § 63G-4-209. In lieu of default, the Division may decide to proceed with the hearing under § 63G-4-208. At the hearing, Respondents may show cause, if any they have:

- a. Why Respondents should not be found to have engaged in the violations alleged by the Division in this Order to Show Cause;
- b. Why Respondents should not be ordered to cease and desist from engaging in any further conduct in violation of Utah Code Ann. § 61-1-1, or any other section of the Act; and
- c. Why Respondents should not be ordered to pay to the Division a fine amount to be determined by stipulation or by the presiding officer after a hearing in accordance with the provisions of Utah Admin. Rule R164-31-1, which may be

reduced by restitution paid to the investor.

DATED this 29th day of July, 2010.


KEITH WOODWARD
Director, Utah Division of Securities



Approved:


JEFF BUCKNER
Assistant Attorney General
J.G.

Division of Securities
Utah Department of Commerce
160 East 300 South, 2nd Floor
Box 146760
Salt Lake City, UT 84114-6760
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**MEDALLION EQUITY GROUP,
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Respondents.

NOTICE OF AGENCY ACTION

Docket No.

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THE DIVISION OF SECURITIES TO THE ABOVE-NAMED RESPONDENTS:

You are hereby notified that agency action in the form of an adjudicative proceeding has been commenced against you by the Utah Division of Securities (Division). The adjudicative proceeding is to be formal and will be conducted according to statute and rule. See Utah Code Ann. §§ 63G-4-201 and 63G-4-204 through 209; see also Utah Admin. Code R151-46b-1, *et seq.* The legal authority under which this formal adjudicative proceeding is to be maintained is Utah Code Ann. § 61-1-20. You may be represented by counsel or you may represent yourself in this proceeding. Utah Admin. Code R151-46b-6.

You must file a written response with the Division within thirty (30) days of the mailing date of this Notice. Your response must be in writing and signed by you or your representative. Your

response must include the file number and name of the adjudicative proceeding, your version of the facts, a statement of what relief you seek, and a statement summarizing why the relief you seek should be granted. Utah Code Ann. § 63G-4-204(1). In addition, pursuant to Utah Code Ann. § 63G-4-204(3), the presiding officer requires that your response:

- (a) admit or deny the allegations in each numbered paragraph of the Order to Show Cause, including a detailed explanation for any response other than an unqualified admission. Allegations in the Order to Show Cause not specifically denied are deemed admitted;
- (b) identify any additional facts or documents which you assert are relevant in light of the allegations made; and
- (c) state in short and plain terms your defenses to each allegation in the Order to Show Cause, including affirmative defenses, that were applicable at the time of the conduct (including exemptions or exceptions contained within the Utah Uniform Securities Act).

Your response, and any future pleadings or filings that should be part of the official files in this matter, should be sent to the following:

Signed originals to:

Administrative Court Clerk
c/o Julie Price
Utah Division of Securities
160 E. 300 South, 2nd Floor
Box 146760
Salt Lake City, UT 84114-6760
(801) 530-6600

A copy to:

Jeff Buckner
Assistant Attorney General
160 East 300 South, 5th Floor
Salt Lake City, UT 84114-0872
(801) 366-0310

An initial hearing in this matter has been set for September 7, 2010 at the Division of

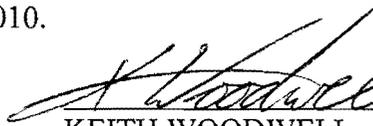
Securities, 2nd Floor, 160 East 300 South, Salt Lake City, Utah, at 9:00 A.M.

If you fail to file a response, as described above, or fail to appear at any hearing that is set, the presiding officer may enter a default order against you without any further notice. Utah Code Ann. § 63G-4-209; Utah Admin. Code R151-46b-10(11). After issuing the default order, the presiding officer may grant the relief sought against you in the Order to Show Cause, and will conduct any further proceedings necessary to complete the adjudicative proceeding without your participation and will determine all issues in the proceeding. Utah Code Ann. § 63G-4-209(4); Utah Admin. Code R151-46b-10(11)(b). In the alternative, the Division may proceed with a hearing under § 63G-4-208.

The Administrative Law Judge will be J. Steven Eklund, Utah Department of Commerce, 160 East 300 South, P.O. Box 146701, Salt Lake City, UT 84114-6701, telephone (801) 530-6648. This adjudicative proceeding will be heard by Mr. Eklund and the Utah Securities Commission. You may appear and be heard and present evidence on your behalf at any such hearings.

You may attempt to negotiate a settlement of the matter without filing a response or proceeding to hearing. To do so, please contact the Utah Securities Division. Questions regarding the Order to Show Cause should be directed to the Division's attorney, Jeff Buckner, at (801) 366-0310.

Dated this 29th day of July, 2010.



KEITH WOODWELL
Director, Division of Securities



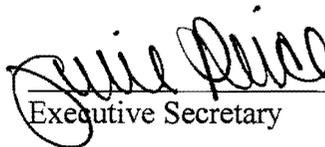
Certificate of Mailing

I certify that on the 2nd day of ~~July~~ August, 2010, I mailed, by certified mail, a true and correct copy of the Notice of Agency Action and Order to Show Cause to:

Medallion Equity Group
c/o Attorney Matthew Lewis
Ray Quinney & Nebeker
36 S. State St. #1400
Salt Lake City, UT, 84111
Certified Mail # 7008 1140 0004 11042 2989

Barry Curtis Cloyd
c/o Attorney Matthew Lewis
Ray Quinney & Nebeker
36 S. State St. #1400
Salt Lake City, UT, 84111
Certified Mail # 7008 1140 0004 11042 2990

James Thomas Cottrell
c/o Attorney Matthew Lewis
Ray Quinney & Nebeker
36 S. State St. #1400
Salt Lake City, UT, 84111
Certified Mail # 7008 1140 0004 11042 2991



Executive Secretary