

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:

**TROY B. KOTTER d.b.a. ANOMALY
GROUP, INC.,**

Respondents.

ORDER TO SHOW CAUSE

Docket No. 00-11-0079

It appears to the Director of the Utah Division of Securities (Director) that Troy B. Kotter d.b.a. Anomaly Group, Inc. has 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 Respondent and the subject matter is appropriate because the Division alleges that he 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 RESPONDENT

2. Troy B. Kotter (Kotter) was, at all relevant times, a resident of the State of Utah. Kotter has never been licensed as a broker-dealer, agent, investment advisor, or as an investment advisor representative in Utah. Anomaly Group, Inc. (AGI) is a putative business entity operated by Kotter. AGI is not registered as a business entity or as an assumed business name with the Utah Division of Corporations and Commercial Code or in any other state. AGI has never been licensed by the Division as a broker/dealer agent nor an issuer/agent to sell securities.

GENERAL ALLEGATIONS

3. From December 2009 to January 2010, Respondent offered and sold a security to investors, in or from Utah, and collected a total of \$15,000.
4. Respondent made material misrepresentations and omissions in connection with the offer and sale of a security to the investor below.
5. The investors lost all \$15,000 of the principal.

INVESTORS BM AND KM (HUSBAND AND WIFE)

6. BM and KM have known Kotter since 2006. KM and Kotter are family members through marriage.
7. In December 2009, Kotter contacted BM and KM by telephone and asked if he could present

an investment opportunity to them. All conversations with Kotter and BM and KM took place in Davis County, Utah.

8. On January 5, 2010, Kotter met with BM and KM at their home in Davis County, Utah to discuss the investment opportunity.
9. During the conversations, Kotter told BM and KM that AGI was a legitimate day trading corporation earning significant returns for investors.¹ Kotter showed BM and KM a Word document reflecting a 20% monthly return on investment by previous investors.
10. Kotter told BM and KM that he needed their investment funds to show more liability on AGI's balance sheet for tax purposes.
11. Kotter made the following statements about a potential investment in AGI that:
 - a. BM and KM's money would be used for day trading by Kotter;
 - b. BM and KM would receive 20% interest compounded monthly on the investment;
 - c. The term of the investment would be until April 2010;
 - d. At the end of the term, BM and KM would receive their investment funds back or have the option to reinvest in AGI;
 - e. There as no risk of loss in the investment unless the market crashed completely; and
 - f. There were no other principals in AGI.
12. Based on Kotter's representations, BM and KM invested \$15,000 with Kotter. On January

¹KM's father invested with Kotter in September of 2009. BM and KM knew of the investment.

6, 2010, BM met Kotter at a Wells Fargo Bank in Farmington, Utah and gave Kotter a \$15,000 cashier's check made payable to Kotter. Later that day, Kotter deposited the check in his bank account at Wells Fargo.

13. In April, June, and July of 2010, BM and KM asked Kotter for all or part of the investment funds to be returned. Kotter never returned any of the funds.
14. Kotter still owes BM and KM \$15,000 in principal alone.
15. Using a source and use analysis, Kotter used the \$15,000 of BM and KM from January 6, 2010 to approximately February 18, 2010 in the following manner:
 - a. \$6,892.59 withdrawn from bank branches;
 - b. \$1,300 cashed at ATM's;
 - c. \$1,030 transferred to an account with Cyprus Credit Union;
 - d. \$250 paid to "DTN/ The Progressive Farmer"²; and
 - e. Approximately \$5,527.41 used for personal expenses.

CAUSES OF ACTION

COUNT I

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

16. The Division incorporates and re-alleges paragraphs 1 through 15.
17. The investment opportunity offered and sold by Respondent is a security under § 61-1-13 of

²DTN/The Progressive Farmer provides online/written subscription material for the agriculture industry and is used as an analytical tool for trading futures.

the Act.

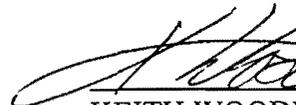
18. In connection with the offer and sale of a security to the investors, Respondent, directly or indirectly, made false statements, including, but not limited to, the following:
 - a. There was no risk in the investment, when in fact, Kotter had no reasonable basis to make such a statement;
 - b. AGI existed as a business entity and was a legitimate day trading corporation.
19. In connection with the offer and sale of a security to the investors, Respondent, 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:
 - a. A debt collection suit was filed against Kotter by Alliance Credit Services;
 - b. Kotter had four civil judgments against him totaling \$28,746.54;
 - c. Some or all of the information typically provided in an offering circular or prospectus regarding AGI and Kotter, such as:
 - i. Financial statements;
 - ii. Risk factors for investors;
 - iii. Suitability factors for the investment;
 - iv. Whether the investment is a registered security or exempt from registration;
and
 - v. Whether Kotter was licensed to sell securities.

ORDER

The Director, pursuant to § 61-1-20 of the Act, hereby orders Respondent 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, January 4, 2011, 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 Respondent fail to file an answer and appear at the hearing, the Division of Securities may hold Respondent 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, Respondent may show cause, if any they have:

- a. Why Respondent should not be found to have engaged in the violations alleged by the Division in this Order to Show Cause;
- b. Why Respondent 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 Respondent 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 November, 2010.


KEITH WOODWORTH
Director, Utah Division of Securities



Approved:


JEFF BUCKNER
Assistant Attorney General
A.S.

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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IN THE MATTER OF:

**TROY B. KOTTER d.b.a. ANOMALY
GROUP, INC.,**

Respondent.

NOTICE OF AGENCY ACTION

Docket No. 00-10-079

THE DIVISION OF SECURITIES TO THE ABOVE-NAMED RESPONDENT:

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

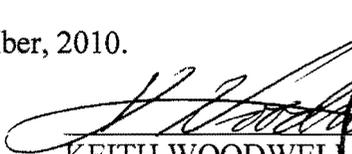
An initial hearing in this matter has been set for January 4, 2011 at the Division of Securities, 2nd Floor, 160 East 300 South, Salt Lake City, Utah, at 9:00 A.M.

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 November, 2010.


KEITH WOODWELL
Director, Division of Securities



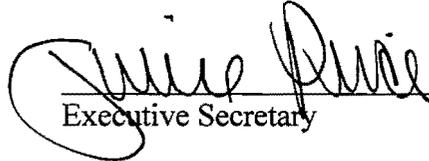
Evidence of Mailing

I certify that on the 20th day of November, 2010, I mailed a true and correct copy of the Notice of Agency Action and Order to Show Cause to:

Troy B. Kotter
870 W. Halstead Dr.

North Salt Lake, UT 84054

Certificate # 7008 1140 1004 1142 0909


Executive Secretary