

Division of Securities  
Utah Department of Commerce  
160 East 300 South, 2<sup>nd</sup> 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:**

**CHRYSALIS FINANCIAL CORPORATION,  
CHRIS E. MCCORMICK,**

**Respondents.**

**ORDER TO SHOW CAUSE**

**Docket No.**

**Docket No.**

~~SD-11-0010~~  
~~SD-11-0011~~

It appears to the Director of the Utah Division of Securities (Director) that Chrysalis Financial Corporation and Chris E. McCormick 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. Chrysalis Financial Corporation (Chrysalis) is a Utah corporation, registered on April 11, 2006. Chris E. McCormick is a director, officer, and registered agent of Chrysalis. Chrysalis' status as a business entity is active. Chrysalis has never been licensed by the Division as a broker/dealer agent, investment adviser or as an issuer/agent to sell securities.
3. Chris E. McCormick (McCormick) was, at all relevant times, a resident of the state of Utah. McCormick has never been licensed as a broker-dealer, agent, or as an investment adviser representative in Utah.

### **GENERAL ALLEGATIONS**

4. From early 2008 to August 2008, Respondents offered and sold securities to investors, in or from Utah, and collected a total of \$90,000.
5. Respondents made material misstatements and omissions in connection with the offer and sale of a security to the investors below.
6. The investors lost approximately \$90,000 of their principal.

### **INVESTORS F.V. AND J.L. (HUSBAND AND WIFE).**

7. In early 2008, a friend referred F.V. and J.L. to Chrysalis and McCormick as someone who was using a new investment program for "Forex" (foreign currency) trading.
8. Later, F.V. and J.L. contacted McCormick by telephone from Florida and expressed interest

in investing \$90,000 with Chrysalis.

9. During the call, McCormick made the following statements about a potential investment in Chrysalis:
  - a. McCormick was working with a new Forex trading software program that would be ready in a few weeks;
  - b. McCormick would use F.V. and J.L.'s investment for Forex trading;
  - c. After 90 days, F.V. and J.L. would receive their \$90,000 principal and \$27,000 in interest;
  - d. After 90 days, F.V. and J.L. would receive any and all profits earned by McCormick from investing their funds in addition to the principal and \$27,000 interest;
  - e. McCormick would not receive compensation or commissions for investing F.V. and J.L.'s funds;
  - f. McCormick would invest the funds as a favor and to enhance McCormick's resume with the anticipated positive results;
  - g. McCormick could not guarantee returns from Forex trading; and
  - h. McCormick was going to trade Forex with funds from five other investors.
10. Based on McCormick's statements, F.V. and J.L. invested \$90,000 in Chrysalis. On August 1, 2008, McCormick, F.V. and J.L. signed a promissory note reflecting the statements made by McCormick during their phone conversation.

11. On August 4, 2008, F.V. transferred \$90,000 into Chrysalis' bank account with Zions Bank in Salt Lake County, Utah.
12. Despite requests by F.V. and J.L., McCormick and Chrysalis have not made any payments to F.V. and/or J.L. on their investment funds.
13. McCormick and Chrysalis still owe F.V. and J.L. \$90,000 in principal alone.
14. Using a source and use analysis of Chrysalis' bank records, McCormick used the \$90,000 investment funds in the following manner:
  - a. \$38,294.47 written out in checks to various individuals and entities;
  - b. \$13,503.83 paid for household goods;
  - c. \$10,000 transferred to a realty company;
  - d. \$6,781.48 paid for McCormick's auto expenses;
  - e. \$8,884.95 paid for McCormick's utilities;
  - f. \$4,946.55 paid for McCormick's entertainment expenses;
  - g. \$1,582 withdrawn from ATM's; and
  - h. \$12,016.50 paid towards other personal expenses.

#### **CAUSES OF ACTION**

#### **COUNT I**

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

15. The Division incorporates and re-alleges paragraphs 1 through 14.
16. The investment opportunities offered and sold by Respondents are securities under § 61-1-13

of the Act.

17. In connection with the offer and sale of a security to the investors, Respondents, directly or indirectly, made false statements, including, but not limited to, the following:
  - a. F.V. and J.L.'s investment funds would be used for Forex trading, when in fact, McCormick never intended to use the funds for trading and used the funds to pay for personal expenses.<sup>1</sup>
  
18. In connection with the offer and sale of a security 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 statements made not misleading:
  - a. In 2005, McCormick petitioned for Chapter 13 bankruptcy three times;<sup>2</sup>
  - b. From 1997 to August 2008, McCormick had forty-one judgments entered against him totaling \$349,320.45;
  - c. How McCormick would be able to pay them \$27,000 in interest and their \$90,000 principal;
  - d. Some or all of the information typically provided in an offering circular or prospectus regarding Chrysalis, such as:

---

<sup>1</sup>On December 27, 2010, McCormick stated in an interview with a Division investigator that he never intended to use F.V. and J.L.'s investment funds in any type of trading program.

<sup>2</sup>*United States Trustee v. Chris E. McCormick*, Case #05-25511 (Utah 2005); *United States Trustee v. Chris E. McCormick*, Case #05-32342 (Utah 2005); *United States Trustee v. Chris E. McCormick*, Case #05-80031 (Utah 2005).

- i. Financial statements;
- ii. Risk factors;
- iii. Suitability factors for the investment;
- iv. Track record to investors;
- v. Chrysalis and McCormick's business experience and operating history;
- vi. Nature of competition;
- vii. Whether the investment is a registered security or exempt from registration;  
and
- viii. Whether McCormick was licensed to sell securities.

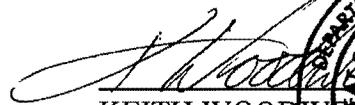
### **ORDER**

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 Wednesday, March 2, 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, 2<sup>nd</sup> 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 investors.

DATED this 1<sup>st</sup> day of February, 2011.

  
KEITH WOODWELL  
Director, Utah Division of Securities



Approved:

  
JEFFREY BUCKNER  
Assistant Attorney General  
A.S.

Division of Securities  
Utah Department of Commerce  
160 East 300 South, 2<sup>nd</sup> 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:**

**CHRYSALIS FINANCIAL CORPORATION,  
CHRIS E. MCCORMICK,**

**Respondents.**

**NOTICE OF AGENCY ACTION**

**Docket No.**

**Docket No.**

~~SD-11-0010~~  
~~SD-11-0011~~

---

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, 2<sup>nd</sup> Floor  
Box 146760  
Salt Lake City, UT 84114-6760  
(801) 530-6600

**A copy to:**

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

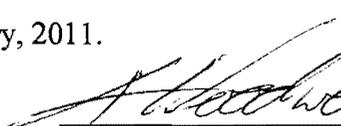
An initial hearing in this matter has been set for March 2, 2011 at the Division of Securities, 2<sup>nd</sup> Floor, 160 East 300 South, Salt Lake City, Utah, at 9:00 A.M.

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 Angela Hendricks, Utah Department of Commerce, 160 East 300 South, P.O. Box 146701, Salt Lake City, UT 84114-6701, telephone (801) 530-6035. This adjudicative proceeding will be heard by Ms. Hendricks 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 15<sup>th</sup> day of February, 2011.

  
KEITH WOODWELL  
Director, Division of Securities

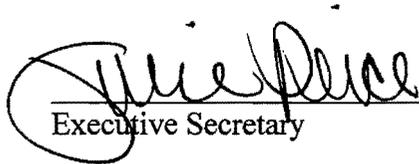


**Evidence of Mailing**

I certify that on the 14 day of February, 2011, I mailed a true and correct copy of the Notice of Agency Action and Order to Show Cause to:

CHRYSALIS FINANCIAL CORPORATION  
CHRIS E. MCCORMICK  
1148 Tumbleweed Way  
Draper, UT 84020

Certificate # 7008 1140 0004 1042 1128

  
Executive Secretary