

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**

<p>IN THE MATTER OF:</p> <p>CRAIG TANNER DALY, JOSHUA CARL JOHNSON,</p> <p>Respondents.</p>	<p>ORDER TO SHOW CAUSE</p> <p>Docket No. <u>11-12-0017</u></p> <p>Docket No. <u>11-12-0018</u></p>
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It appears to the Director of the Utah Division of Securities (Director) that Craig Tanner Daly and Joshua Carl Johnson 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) and § 61-1-3 (unlicensed activity) of the Act while engaged in the offer and sale of securities in or from Utah.

STATEMENT OF FACTS

THE RESPONDENTS

2. Craig Tanner Daly (Daly) was, at all relevant times, a resident of the State of Utah. Daly has never been licensed in the securities industry in any capacity.
3. Joshua Carl Johnson (Johnson) was, at all relevant times, a resident of the State of Utah. Johnson has never been licensed in the securities industry in any capacity

GENERAL ALLEGATIONS

4. From July 2010 to September 2010, Respondents offered and sold investment contracts to an investor, in or from Utah, and collected at least \$165,000.
5. Investment contracts are securities under the Act.
6. Respondents made material misstatements and omissions in connection with the offer and sale of securities to the investor below.
7. Investor lost \$160,800 of his principal.

INVESTOR V.C.

8. In July 2010, V.C. saw an ad on the internet from Freedom Wealth Group, LLC (FWG)¹

¹ FWG is a Nevada limited liability company registered on May 21, 2008. Jessica L. Jones, Kevin W. Jones, Matthew E. Poll, and Epicenter Trading, Inc. are members. FWG has never been licensed with the Division.

offering to teach investors how to FOREX trade. The ad claimed to reduce the amount of risk in FOREX trading and listed Daly as the contact.

9. V.C. contacted Daly via telephone for more information. During the conversation, Daly made the following statements about an investment in FWG:
 - a. FWG taught investors how to FOREX trade their own money;
 - b. FWG taught investors how to use the daily ONIT trade; and
 - c. The program package cost \$5,000.
10. On August 3, 2010, Daly emailed V.C. more information about the ONIT trade. In the email, Daly gave an example of one account that had earned a 225% return. Daly also stated that FWG was now “56 for 56” in successful trades on the account.
11. In an email response, V.C. asked Daly how FWG was able to make such successful trades.
12. On August 3, 2010, Daly responded with another email making the following statements:
 - a. There is a steep learning curve with FOREX trading;
 - b. Daly would never want V.C. to learn the lessons of trading with his principal;
 - c. Daly would personally do all of V.C.’s trading with short thirty-day terms in case V.C. needed his principal back;
 - d. It would be easy to return principal plus dividends each month; and
 - e. He could have V.C.’s money back within a few days’ notice.
13. In another email response, V.C. told Daly that he wanted to put his money in a safe and

conservative investment.

14. On August 3, 2010, Daly responded with a third email making the following statements:
 - a. Daly had managed other investments before and this would not be anything new; and
 - b. He would try to place parameters and limits on himself as the trader in case of initial losses, in which case Daly would pull out the funds. Daly claimed, however, that he had never had to do this.
15. On August 4, 2010, Daly sent V.C. a follow-up email stating that his example of the trade that gained 225% was due to him leveraging double what he normally leveraged. Daly is more conservative and consistent, resulting in smaller gains.
16. Shortly following the email exchange, Daly and V.C. spoke via telephone. V.C. indicated some reluctance in investing in FWG.
17. Daly then stated the following:
 - a. He was a member of the Church of Jesus Christ of Latter-day Saints (LDS);
 - b. He was a descendant of LDS apostle Bruce R. McConkie; and
 - c. He came from a long line of strong LDS heritage.
18. On or about August 10, 2010, Daly and V.C. met in Salt Lake County, Utah and signed a document titled *Investor & Advisor Agreement* to invest \$50,000 with Daly. The agreement states the following:
 - a. Daly is the “Advisor;”

- b. Daly will give his best efforts to earn a 5% monthly return for V.C.;
 - c. Projected returns are goals and not a guarantee;
 - d. The length of the investment is two months, after which, V.C. can cancel the agreement at any time;
 - e. The agreement may be null and void after an investor loss of 25% of principal and the remaining principal will be returned to the investor; and
 - f. There are inherent risks in trading.
19. Based on Daly's statements, V.C. invested \$115,000 with Daly. On August 11, 2010, V.C. wired \$50,000 to Daly's account. Daly transferred \$48,000 of the funds to a FOREX trading account while Daly retained \$2,000.
20. On September 16, 2010, V.C. wired \$65,000 to Daly's account. Daly transferred \$64,000 of the funds to a FOREX trading account while Daly retained \$1,000.
21. V.C. has received approximately \$4,200 from Daly, but is owed \$110,800 in principal alone.
22. Shortly after V.C.'s initial investment, V.C. wanted to invest more funds and Daly referred V.C. to Johnson.
23. Daly and Johnson met with V.C. to discuss another investment opportunity in FWG. Daly told V.C. that Daly and Johnson work together and discuss whether trades will be successful before trading.
24. Johnson promised V.C. a return of 10% monthly or 120% per annum.

25. Johnson told V.C. that the investment funds would be used for FOREX trading, similar to V.C.'s previous investment with Daly.
26. Based on Johnson and Daly's statements, V.C. invested \$50,000 with Johnson. On August 26, 2010, V.C. wired \$50,000 to Johnson's account. Johnson transferred \$48,000 of the funds to a FOREX trading account while Johnson retained \$2,000.
27. V.C. has not received any payments from Johnson and is still owed \$50,000 in principal alone.
28. In October 2010, V.C. met with Daly and Johnson. Daly and Johnson told V.C. that the investment was going really well.
29. On January 7, 2011, V.C. met with Daly and Johnson. Daly and Johnson told V.C. that FWG incurred some losses, the "buffer zone" was gone, and FWG could "go under."
30. On January 31, 2011, V.C. received an email from Daly stating that he and Johnson had closed the doors to their office due to losses.

CAUSES OF ACTION

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

31. The Division incorporates and re-alleges paragraphs 1 through 30.
32. The investment opportunities offered and sold by Respondents are securities under § 61-1-13 of the Act.
33. 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. Daly would retain \$2,000 of V.C.'s \$50,000 investment funds;
- b. Daly would retain \$1,000 of V.C.'s \$65,000 investment funds;
- c. Johnson would retain \$2,000 of V.C.'s \$50,000 investment funds;
- d. Some or all of the information typically provided in an offering circular or prospectus regarding FWG, Daly, and Johnson such as:
 - i. Financial statements;
 - ii. Risk factors;
 - iii. The number of investors;
 - iv. Suitability factors for the investment;
 - v. Whether the investment was a registered security or exempt from registration;
and
 - vi. Whether Respondents and were licensed to sell securities.

Unlicensed Activity under § 61-1-3(3) of the Act (Daly, Johnson)

34. The Division incorporates and re-alleges paragraphs 1 through 30.
35. Respondents have not been licensed in the securities industry in any capacity.
36. Respondents acted as investment advisers in the offer and/or sale of a security in Utah.
37. Daly received compensation of \$3,000 in the offer and/or sale of a security in Utah.

38. Johnson received compensation of \$2,000 in the offer and/or sale of a security in Utah.
39. Accordingly, each offer or sale of securities by Respondents violated Section 61-1-(3) of the Act.
40. Based on the above information, Respondents violated § 61-1-3(3).

ORDER

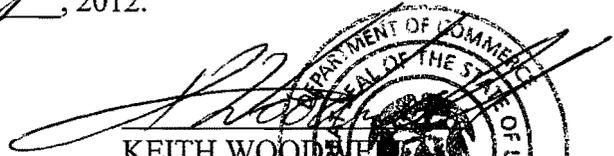
The Director, pursuant to § 61-1-20 of the Act, hereby orders Respondents to appear at a formal hearing to be conducted in accordance with Utah Code Ann. § 63G-4-202, -204 through -208, and held before the Utah Division of Securities. The hearing will occur on **Wednesday, April 4, 2012, at 9:00 a.m.**, 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 he has:

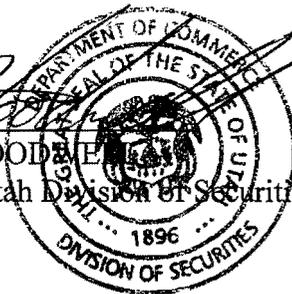
- a. Why Respondents should not be found to have engaged in the violations alleged by the Division in this Order to Show Cause;
- b. Why Respondents should not be ordered to cease and desist from engaging in any further conduct in violation of Utah Code Ann. § 61-1-1, or any other section of the

Act;

- c. Why Respondents should not be barred from (i) associating with any broker-dealer or investment adviser licensed in Utah; (ii) acting as an agent for any issuer soliciting investor funds in Utah, and (iii) from being licensed in any capacity in the securities industry in Utah; and
- d. 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 17th day of February, 2012.


KEITH WOOD
Director, Utah Division of Securities



Approved:



D. SCOTT DAVIS
Assistant Attorney General
A.S.

Division of Securities
Utah Department of Commerce
160 East 300 South, 2nd Floor
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**BEFORE THE DIVISION OF SECURITIES
OF THE DEPARTMENT OF COMMERCE
OF THE STATE OF UTAH**

IN THE MATTER OF:

**CRAIG TANNER DALY,
JOSHUA CARL JOHNSON**

Respondents.

NOTICE OF AGENCY ACTION

Docket No. SD-12-0017
Docket No. SD-12-0018

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 R151-4-101, *et seq.* The facts on which this action is based are set forth in the accompanying Order to Show Cause. 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 R151-4-110.

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:

D. Scott Davis
Assistant Attorney General
Utah Division of Securities
160 East 300 South, 5th Floor
Salt Lake City, UT 84114-0872
(801) 366-0358

An initial hearing in this matter is set for **April 4, 2012** at the Division of Securities, 2nd

Floor, 160 E. 300 S., Salt Lake City, Utah, at **9:00 A.M.** The purpose of the initial hearing is to enter a scheduling order addressing discovery, disclosure, and other deadlines, including pre-hearing motions, and to set a hearing date to adjudicate the matter alleged in the Order to Show Cause.

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 R151-4-710(2). 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). 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 Attorney General's Office. Questions regarding the Order to Show Cause should be directed to D. Scott Davis, Assistant Attorney General, 160 E. 300 South, 5th Floor, Box 140872, Salt Lake City, UT 84114-0872, Tel. No. (801) 366-0358.

Dated this 17th day of February, 2012


Keith M. Woodworth
Director, Division of Securities



Certificate of Mailing

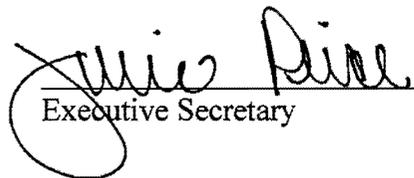
I certify that on the 1st day of February, 2012, I mailed, by certified mail, a true and correct copy of the Notice of Agency Action and Order to Show Cause to:

Craig Tanner Daly
535 W. 650 S.
Orem, UT 84058

Certified Mail # 700702260001 000000 0844

Joshua Carl Johnson
3419 S. River Road #24
St. George, UT 84790

Certified Mail # 700702260001 000000 0851



Executive Secretary