Division of Securities
Utah Department of Commerce
160 East 300 South
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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: **KEVIN LAWRENCE WRIGHT** **MICHAEL STEPHEN HURST** **Respondents.**	**ORDER TO SHOW CAUSE** **Docket no.** SD-06-0008 **Docket no.** SD.06-0009

It appears to the Director of the Utah Division of Securities (Director) that Kevin Lawrence Wright and Michael Stephen Hurst (Respondents) may 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 the Respondents is appropriate in this matter because the Division alleges that the Respondents violated § 61-1-1 (Securities Fraud) of the Act while engaged in the offer and sale of securities in Utah.

STATEMENT OF FACTS

THE PARTIES

2. Kevin Lawrence Wright is a resident of Washington County, Utah.

3. Michael Stephen Hurst is a resident of Davis County, Utah.

GENERAL ALLEGATIONS

4. In or around May 2002, Utah residents, (the Investors), met with Kevin Lawrence Wright (Wright) in Salt Lake County, to discuss purchasing a home as an investment.

5. Wright told the Investors that he was a mortgage broker and knew of a home for sale in Bluffdale, Utah. Wright also told the Investors that:

   a. They could buy the Bluffdale home for $590,000, although it was actually worth $810,000;

   b. If the Investors purchased the home, they could obtain a loan for the full value of the home, pay the purchase price to the seller and have the difference available to invest;

c. The Investors could invest the excess equity with Wright and his partner, Michael Stephen Hurst (Hurst), in a high yield mutual fund account entitled Capital Enhancement Club (Capital Enhancement); and

d. That Wright himself was making a return of 30% on his own investment with Capital Enhancement.

6. In or around August 2002, the Investors met with Wright for a second time to discuss an investment in Capital Enhancement. Wright showed the Investors documentation asserting that return rates for an investment in Capital Enhancement ranged from 8 to 10% for a lower risk, more conservative investment.

7. In or around October 2002, the Investors met again with Wright and Hurst to review the different possible investment packages in Capital Enhancement. Wright and Hurst represented to the Investors that the investment packages would yield returns of 8 to 10% for lower risk, more conservative investments, or up to 30% for higher risk, more aggressive investments.

8. At the October 2002 meeting, the Investors told Wright and Hurst that they wanted to buy the Bluffdale home and invest the excess equity in a conservative Capital Enhancement account yielding 8 to 10%.

9. Hurst told the Investors that he would send them $75,000 of their equity to put into a personal savings account as a backup in the event they could not make the mortgage payment.

10. Wright told the Investors that he and Hurst owned ten other homes and could help with the Investors' mortgage payment if there was ever a problem.

11. The Investors agreed to purchase the home for $590,000, but planned to obtain a loan for the full value of the home ($810,000), and invest the excess equity in Capital Enhancement.[1] Wright arranged financing for the Investors through Majestic Mountain Mortgage.

12. On or about January 22, 2003, the Investors met at Advantage Title Company (Advantage Title), in South Jordan, Utah, and closed on the purchase of the Bluffdale home. The Investors were not given the first page of the HUD Uniform Settlement Statement which showed two disbursements, one to an entity called BDG Group for $15,000, and another to Reminders Inc. for $195,000. Hurst and Wright never told the Investors that some of their money would go to these entities.

13. BDG Group was owned and controlled by an individual, S.H.

14. Reminders Inc. was owned and controlled by Hurst and his wife, Audrey.

15. During the Division's investigation, Wright told the Division that the $15,000 paid to BDG Group from the Investors' escrow account at Advantage Title was to pay S.H.'s

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[1] Based on discussions with Wright and Hurst, the Investors understood that they would receive two loans equaling the full cost of the home, $810,000, plus closing costs. At closing, however, the Investors received two loans that equaled $758,589, and the first page of the closing statement revealed a fictitious down payment from the Investors of $61,000. The Investors were not given the first page of the closing statement, and were therefore, unaware of the fictitious down payment.

"finders fee" for telling Wright about the Bluffdale home. According to S.H., however, the $15,000 was to repay him for a past due debt owed to him by Wright from a separate matter.

16. On January 29, 2003, $15,000 was in fact transferred, by check, to BDG Group's account from the Investors escrow account at Advantage Title.

17. Hurst acknowledged to the Division that $128,410[2] was diverted to his company, Reminders Inc., from the Investors' escrow account at Advantage Title. Hurst told the Division that $50,000 was a "finders fee" for himself and Wright, for finding the Investors a house, and that he invested the remaining $78,410 in the purchase of uncut diamonds with an individual, B.W. Hurst did not tell B.W. that the money came from the Investors.

18. On February 5, 2003, $128,410 was in fact sent by wire transfer to Reminders Inc.'s account from the Investors escrow account at Advantage Title.

19. On February 6, 2003, $125,000 was sent by wire transfer from Reminders Inc. to B.W.

20. B.W. acknowledged to the Division that he received $125,000 from Hurst, and that he invested it, on behalf of Hurst, in rough cut diamonds. B.W. was not aware of the

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[2] The difference between the $195,000 that was supposedly going to Reminders Inc. according to the closing statement, and the $128,410 that actually was paid to Reminders Inc. is the fictitious down payment of $61,000 and approximately $5,000 in closing costs.

Investors and their investment in Capital Enhancement. According to B.W., the investment in diamonds was not successful.

21. The Investors never received the promised $75,000 for their savings account, they saw none of the equity created from the purchase of the Bluffdale home, and they received no return of principal or interest on what they believed to be an investment in Capital Enhancement.

22. On May 4, 2005, the Securities and Exchange Commission (SEC) filed an emergency action against an entity called Capital Enhancement Club and its owner/operator, David Tanner, alleging that they were engaged in an "ongoing fraudulent Internet-based high yield investment scheme" that raised at least $15 million, most of which was sent offshore.

23. Wright was a licensed broker-dealer from May 1993 to December 1995.

24. At the time of the Investors' investment, Wright had three outstanding civil judgments against him, totaling $327,225, which were not disclosed to the Investors.

25. Wright was also delinquent on his income taxes owed to the State of Utah for the years 1995 through 1997, and 1999 through 2001, and still owes a total of $56,970. These delinquencies were not disclosed to the Investors.

26. In October and November of 2003, Wright made two restitution payments to the Investors of $3,000 and $1,900 respectively.

27. From June 2004 to July 2005, Hurst made six restitution payments to the Investors totaling $40,000.

28. The Investors are still owed $98,510 from Wright and Hurst.

CAUSES OF ACTION

COUNT I
Securities Fraud under § 61-1-1(2) of the Act
(Michael Stephen Hurst & Kevin Lawrence Wright)

29. The Division incorporates and re-alleges paragraphs 1 through 28.

30. The investment opportunity offered and sold by Wright and Hurst is a security under § 61-1-13 of the Act.

31. In connection with the offer and sale of a security to Utah investors, Wright and Hurst, directly and/or indirectly, made the following false statements:

    a. That Wright would send the Investors $75,000 of their equity to place in savings, when in fact, investors never received the $75,000;

    b. That Wright and Hurst would help the Investors with mortgage payments if they were unable to make them, when in fact, Wright and Hurst had no reasonable basis to offer financial assistance to the Investors due to their own financial difficulties; and

    c. That the Investors' money would be invested in a mutual fund account with Capital Enhancement, when in fact, the Investors' funds were transferred to a personal account, used to pay a personal debt, and invested in the purchase of

uncut diamonds. Furthermore, if Capital Enhancement is the same entity named in the May 4, 2005, SEC emergency action, mentioned in paragraph 22 above, Wright and Hurst also misrepresented the nature of the investment in Capital Enhancement.

32. In connection with the offer and sale of a security to Utah investors, Wright and Hurst, directly and/or indirectly, failed to disclose material information, including, but not limited to, the following, which was necessary in order to make the representations made not misleading:

a. That Wright had several outstanding civil judgments against him, totaling $327,225;

b. That Wright had several state tax liens against him, totaling $56,970;

c. That the Investors' money would be transferred to a personal account, used to pay personal expenses, and be invested in uncut diamonds without the Investors having any interest in the diamonds;

d. The risk factors involved in the investment;

e. Information or documentation about how the investment in Capital Enhancement would make money; and

f. Whether the Capital Enhancement investment was marketable, i.e. liquid.

33. Based upon the foregoing, Kevin Lawrence Wright and Michael Stephen Hurst willfully violated § 61-1-1(2) of the Act.

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. §§ 63-46b-4 and 63-46b-6 through -10, and held before the Utah Division of Securities. The hearing will occur on Monday, March 13th, 2006, 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. If Respondents fail to file an answer or 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. § 63-46b-11. In lieu of default, the Division may decide to proceed with the hearing under § 63-46b-10. At the hearing, Respondents may show cause, if any they have:

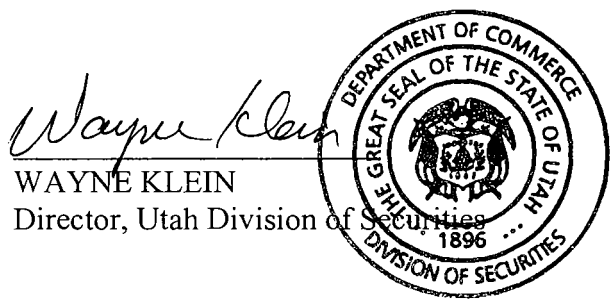
a. Why Kevin Lawrence Wright and Michael Stephen Hurst should not be found to have engaged in the violations alleged by the Division in this Order to Show Cause;

b. Why Kevin Lawrence Wright and Michael Stephen Hurst 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 Kevin Lawrence Wright should not be barred from obtaining a securities license or associating with a licensed broker-dealer or investment adviser in the future under the provisions of Utah Code Ann. § 61-1-20; and

d. Why Kevin Lawrence Wright and Michael Stephen Hurst should not be ordered to pay a fine, jointly and severally, of one-hundred and eighteen thousand, five-hundred and ten dollars ($118,510) to the Division, to be offset, dollar for dollar, by the last ninety-eight thousand five-hundred and ten dollars ($98,510) of restitution paid to the Investors pursuant to a payment schedule that does not exceed three years.

DATED this 10th day of February, 2006.



WAYNE KLEIN
Director, Utah Division of Securities

Approved:

JEFFREY BUCKNER
Assistant Attorney General

D.H.

Division of Securities
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BEFORE THE DIVISION OF SECURITIES
OF THE DEPARTMENT OF COMMERCE
OF THE STATE OF UTAH

IN THE MATTER OF: **KEVIN LAWRENCE WRIGHT** **MICHAEL STEPHEN HURST** **Respondents.**	**NOTICE OF AGENCY ACTION** **Docket no.** SD-06-0008 **Docket no.** SD-06-0009

THE DIVISION OF SECURITIES TO THE ABOVE-NAMED RESPONDENTS:

The purpose of this Notice of Agency Action is to inform you that the Division hereby commences a formal adjudicative proceeding against you as of the date of the mailing of the Order to Show Cause. The authority and procedure by which this proceeding is commenced are provided by Utah Code Ann. §§ 63-46b-3 and 63-46b-6 through 11. The facts on which this action is based are set forth in the foregoing Order to Show Cause.

Within thirty (30) days of the mailing date of this notice, you are required to file a written response with the Division. The response you file may be helpful in clarifying, refining or narrowing the facts and violations alleged in the Order to Show Cause. A hearing date has been set for Monday, March 13, 2006, 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.

If you fail to file a written response, as set forth herein, or fail to appear at the hearing, the Division of Securities may hold you in default, and a fine may be imposed against you in accordance with Utah Code Ann. § 63-46b-11, without the necessity of providing you with any further notice. In lieu of default, the Division may decide to proceed with the hearing under § 63-46b-10. At the hearing, you may appear and be heard and present evidence on your behalf. You may be represented by counsel during these proceedings.

The presiding officer in this case is Wayne Klein, Director, Division of Securities, 160 East 300 South, P.O. Box 146760, Salt Lake City, UT 84114-6760, telephone (801) 530-6600. 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.

Your written response should be filed with the Division, attention Pam Radzinski, P.O. Box 146760, Salt Lake City, Utah 84114-6760. A copy also should be mailed to the Division's attorney, Jeff Buckner, Assistant Attorney General in the Utah Attorney General's Office, 160 East 300 South, P.O. Box 140872, Salt Lake City Utah 84114-0872, telephone (801) 366-0310. Questions regarding the Order to Show Cause and Notice of Agency Action should be directed to Jeff Buckner.

DATED this 10th day of February, 2006.

Wayne Klein

WAYNE KLEIN
Director, Division of Securities
Utah Department of Commerce

Certificate of Mailing

I certify that on the 13TH day of February 2006, I mailed, by certified mail, a true and correct copy of the Order to Show Cause and Notice of Agency Action to:

Kevin Lawrence Wright
3672 Sugar Leo Street
St. George, UT 84790

Certified Mail # 7004 2510 0006 1196 9780

Michael Stephen Hurst
1002 Fairway Circle
Fruit Heights, UT 84037

Certified Mail # 7004 2510 0006 1196 9797

Pamala Radzinski
Executive Secretary