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

IN THE MATTER OF:	**ORDER TO SHOW CAUSE**
COIN TRADE CENTER, LLC **HOWARD L. GURNEY** **TONI D. GURNEY** **Respondents.**	**Docket No.** SD-08-0006 **Docket No.** SD-08-0007 **Docket No.** SD-08-0008

It appears to the Director of the Utah Division of Securities (Director) that Coin Trade Center, LLC, Howard L. Gurney, and Toni D. Gurney 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 Respondents and the subject matter is appropriate because the Division alleges that Respondents violated §§ 61-1-1 (securities fraud), 61-1-3 (sale by unlicensed

agent), and 61-1-7 (sale of unregistered securities) of the Act, while engaged in the offer and sale of securities in Utah.

STATEMENT OF FACTS

THE RESPONDENTS

2. Coin Trade Center, LLC (CTC) was registered as a Utah limited liability company on May 27, 2004, but its registration expired on May 27, 2006. Howard L. Gurney and his wife Toni D. Gurney were the only two members of CTC. CTC was in the business of buying, selling, and trading in precious metals, collectibles, and jewelry.

3. Howard L. Gurney (H. Gurney) resides in Utah County, Utah.

4. Toni D. Gurney (T. Gurney) resides in Utah County, Utah.

GENERAL ALLEGATIONS

5. From 1991 through 2005, Respondents collected a total of $495,570.64 from at least ten Utah investors. Respondents offered an investment in a "Managed/Yearly" account or a "Storage/90-day" account, with CTC.

6. Respondents told investors the Managed/Yearly accounts were for investors who wanted a long-term investment. Respondents told investors the account could not be sold, withdrawn from, or added to, for a period of one year, and that the return was 20% per year, paid in ounces of the same precious metal that was invested.

7. Respondents told investors that the Storage/90-day accounts were for investors who wanted a short-term, flexible investment. Respondents told investors the return on the

account averaged 10% per 90 days, but could be anywhere from 9 to 12%, paid in ounces of the same precious metal invested.

8. Respondents told investors that CTC could make more than 50% per year on invested coins by buying, selling, or trading the coins.

9. Investors had no role in the investment other than providing their money or coins to CTC.

10. In return for an investment, investors received a contract from CTC, signed by the investor and either T. Gurney or H. Gurney on behalf of CTC. The Managed/Yearly contracts are two page documents which state that "CTC agrees to trade said precious metals on any and all precious metals markets to which CTC has or may have access with the express purpose of increasing the precious metals belonging to Customer in the amount of Twenty percent (20%)." The Storage/90 day contracts are a single page and state "usage fees" for an investor's silver bullion, gold bullion, 90% coin, and U.S. silver dollars. The Storage/90 days contracts state that "If the precious metals stored is [sic] sold multiple times, the same usage fee shall apply for each time sold," and that the precious metals "will be stored at the Coin Trade Center, L.C. for [investor's] use."

11. Each contract automatically renewed at the end of its term (1 year or 90 days) and the new contract included the amount of interest received. Investors would receive precious metals from their accounts only after making a request of CTC.

12. The majority of those who invested with CTC received no actual return of interest or principal.

Investor JS

13. The Gurneys introduced JS to the investment opportunity in the early 1990s while visiting their store.

14. The Gurneys told JS the following regarding the investment opportunity in CTC's Managed/Yearly and Storage/90-day Accounts:

    a. CTC could buy and sell gold and silver recovering a premium on each transaction;

    b. The Gurneys had the ability, knowledge, and connections to trade the precious metal to increase the value of the investments according to gold/silver ratios;

    c. A customer could not trade precious metals as efficiently and as economically as CTC;

    d. Since the investment contract paid in metals and not cash, investors experienced a taxable gain only if the gold and/or silver was sold or liquidated for money;

    e. The Managed/Yearly accounts provided a return of 20% per year, and the Storage/90-day accounts provided a return of approximately 10% every 90 days;

    f. There was a bond or insurance policy in place to protect against loss to CTC;

    g. CTC's Storage/90-day accounts were insured against loss;

    h. Insured values would not be exceeded and when the maximum was reached, no one would be allowed to deposit metals until someone withdrew metals to keep the invested totals under the limit;

i. The only risk with a precious metal was the fluctuating "spot" price of the metal.

15. JS invested money and precious metals totaling $78,251.91 with Respondents from April 29, 1991 to January 7, 2005. JS invested in seven Managed/Yearly accounts and two Storage/90-day accounts, with an expectation of making a profit of 10 to 20 % on these investments.

16. After each investment, JS received a written contract evidencing his investment which was signed by JS and either T. Gurney or H. Gurney.

17. While invested in CTC, JS withdrew $27,587.32 in precious metals from his Storage/90-day accounts, but nothing from his Managed/Yearly accounts.

18. In February and March 2005, JS attempted to withdraw some of the interest he had earned from his accounts, but Respondents denied his requests.

19. In a letter dated April 8, 2005, from the Gurneys, the Gurneys stated that CTC was experiencing financial trouble.

20. Respondents still owed JS $66,291.77 in principal alone.

Investor BW

21. From January 1998 to January 2005, BW invested a total of $17,575 worth of gold and silver coins in CTC's Managed/Yearly accounts.

22. Prior to investing, T. Gurney told BW the following regarding the investment opportunity with CTC:

a. CTC offers an investment program for a few special customers who had

historically purchased a lot of precious metals from CTC;

a. The Managed/Yearly accounts pay interest of 20% per year on silver, and 10% per year on gold;

b. CTC could trade silver easier than gold; and

c. CTC had been doing these types of investments since 1979.

23. BW and either T. Gurney or H. Gurney executed a contract for BW's investments, and renewed the Managed/Yearly contracts each year.

24. In 2004, BW withdrew $4,215 in precious metals from one of his accounts at CTC.

25. Respondents still owe BW $17,575 in principal alone.

Investor MV

26. From February 19, 2003 through March 2004, MV invested a total of $17,000 in CTC's Managed/Yearly accounts and Storage/90-day accounts.

27. MV mainly spoke to T. Gurney about the investment opportunities, and T. Gurney told MV the following:

a. Invested money would be used to purchase inventory for CTC and would be held as precious metals;

b. The Managed/Yearly accounts paid interest of 20% per year, and the Storage/90-day accounts pay interest of 11% every 90 days;

c. The investment was guaranteed;

d. MV could convert the precious metals into jewelry which T. Gurney could sell at

a better price;

e. MV's investments would be covered by insurance against loss;

f. MV could liquidate the Managed/Yearly accounts after one year by giving CTC 30 days notice; and

g. MV could liquidate the Storage/90 day accounts by giving CTC 14 days notice.

28. On February 19, 2003, MV invested $10,000 with CTC by purchasing silver rounds which were divided between Managed/Yearly accounts and Storage/90 day accounts. MV invested by personal check made payable to CTC.

29. On March 27, 2003, MV invested $2,000 with CTC by purchasing silver rounds that were placed in the Managed/Yearly accounts. MV invested by personal check made payable to CTC.

30. On March 9, 2004, MV invested $5,000 with CTC by purchasing silver rounds which were placed in the Managed/Yearly accounts. MV invested by personal check made payable to CTC.

31. MV received a contract from CTC with each investment, which was signed by MV and either T. Gurney or H. Gurney.

32. After investing, MV spoke to T. Gurney several times and was told that the investments were doing well.

33. In 2005, MV started to discuss an exit strategy with T. Gurney and was assured by T. Gurney that the metal was on hand to fulfill MV's contracts.

34. Respondents still owe MV $17,000 in principal alone.

CAUSES OF ACTION

COUNT I
Securities Fraud under § 61-1-1 of the Act
(The Respondents)

35. The Division incorporates and re-alleges paragraphs 1 through 34.

36. The investment opportunities offered and sold by Respondents to investors are investment contracts, and therefore securities, under § 61-1-13 of the Act. An investment contract includes,

> any investment in a common enterprise with the expectation of profit to be derived through the essential managerial efforts of someone other than the investor; or . . . any investment by which . . . an offeree furnishes initial value to an offerer; . . . a portion of this initial value is subjected to the risks of the enterprise; . . . the furnishing of the initial value is induced by the offerer's promises or representations which give rise to a reasonable understanding that a valuable benefit of some kind over and above the initial value will accrue to the offeree as a result of the operation of the enterprise; and . . . the offeree does not receive the right to exercise practical or actual control over the managerial decisions of the enterprise.

UTAH ADMIN. CODE R164-13-1(B)(1)(a) and 1(b).

37. In connection with the offer and sale of securities to investors, Respondents, directly or indirectly, made false statements, including, but not limited to, the following:

a. The Managed/Yearly accounts provided a return of 20% per year, and the Storage/90-day accounts provided a return of approximately 10% every 90 days;

b. The precious metals invested in the Storage/90-day accounts were stored at the CTC, when in fact, the coins were in trading markets;

c. The Gurneys told JS that because his investment contract paid in precious metals as opposed to cash, he would experience a taxable gain only if his gold or silver were liquidated for money;

d. The Gurneys told JS and MV that their investments were insured against loss;

e. The Gurneys told JS that insured values would be monitored so as not to be exceeded;

f. The Gurneys told JS the only risk involved with precious metals was the fluctuating "spot" price of the metals;

g. The Gurneys told BW that only certain customers of CTC were introduced to the investment opportunities;

h. The Gurneys told BW that CTC had been offering the investment opportunities since 1979;

i. The Gurneys guaranteed MV's investments; and

j. The Gurneys told MV he could liquidate his Managed/Yearly accounts after one year with 30 days notice, and that MV could liquidate his Storage/90 day accounts with 14 days notice.

38. In connection with the offer and sale of a security to 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:

a. Respondents failed to provide investors with some or all of the information typically provided in an offering circular or prospectus regarding CTC, such as:

i. The business and operating history for CTC;

ii. Financial statements for CTC;

iii. The market for CTC's service(s);

iv. The nature of the competition for the service(s);

v. The current capitalization for CTC;

vi. Risk factors for investors;

vii. The number of other investors;

viii. The minimum capitalization needed to participate in the investment;

ix. The disposition of any investments received if the minimum capitalization were not achieved;

x. Discussion of pertinent suitability factors for the investment;

xi. Any conflicts of interest the issuer, the principals, or the agents may have with regard to the investment;

xii. Agent commissions or compensation for selling the investment;

xiii. Whether the investment is a registered security or exempt from registration; and

xiv. Whether the person selling the investment is licensed.

39. Based upon the foregoing, Coin Trade Center, LLC, Howard L. Gurney, and Toni D. Gurney violated § 61-1-1 of the Act.

COUNT II
Sale by an Unlicensed Agent under § 61-1-3 of the Act
(T. Gurney and H. Gurney)

40. The Division incorporates and re-alleges paragraphs 1 through 39.

41. The Gurneys offered or sold securities in Utah.

42. When offering and selling these securities on behalf of CTC, the Gurneys were acting as agents of an issuer.

43. The Gurneys have never been licensed to sell securities in Utah as an agent of this issuer, or any other issuer.

44. Based on the above information, T. Gurney and H. Gurney violated § 61-1-3(1) of the Act.

COUNT III
Sale of Unregistered Securities under § 61-1-7 of the Act
(The Respondents)

45. The Division incorporates and re-alleges paragraphs 1 through 44.

46. The investment opportunity in CTC offered and sold by Respondents is a security under § 61-1-13 of the Act.

47. The securities were offered and sold in this state.

48. The securities offered and sold by Respondents were not registered under the Act, and Respondents did not file any claim of exemption relating to the securities.

49. Based on the above information, CTC, T. Gurney, and H. Gurney violated § 61-1-7 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 Tuesday, March 18th, 2008, 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. § 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 Coin Trade Center, LLC, Toni D. Gurney, and Howard L. Gurney should not be found to have engaged in the violations alleged by the Division in this Order to Show Cause;

b. Why Coin Trade Center, LLC, Toni D. Gurney, and Howard L. Gurney 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 Coin Trade Center, LLC should not be ordered to pay a fine of seven hundred fifty thousand dollars ($750,000) to the Division of Securities, which

may be reduced by restitution paid to the victims.

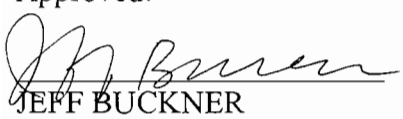
d. Why Toni D. Gurney should not be ordered to pay a fine of two hundred fifty thousand dollars ($250,000) to the Division of Securities, which may be reduced by restitution paid to the victims.

e. Why Howard L. Gurney should not be ordered to pay a fine of two hundred fifty thousand dollars ($250,000) to the Division of Securities, which may be reduced by restitution paid to the victims.

DATED this 31st day of January, 2008.

WAYNE KLEIN
Director, Utah Division of Securities

Approved:



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S. J.

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

IN THE MATTER OF:	**NOTICE OF AGENCY ACTION**
COIN TRADE CENTER, LLC **HOWARD L. GURNEY** **TONI D. GURNEY** **Respondents.**	**Docket No.** SD-08-0006 **Docket No.** SD-08-0007 **Docket No.** SD-08-0008

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 an Answer with the Division. The Answer must include the information required by Utah Code §

63-46b-6 (1). In addition, you are required by § 63-46b-6 (3) to state: a) by paragraph, whether you admit or deny each allegation contained in the Order to Show Cause, including a detailed explanation for any response other than an unqualified admission; b) any additional facts or documents which you assert are relevant in light of the allegations made; and c) any affirmative defenses (including exemptions or exceptions contained within the Utah Uniform Securities Act) which you assert are applicable. To the extent that factual allegations or allegations of violations contained in the Order to Show Cause are not disputed in your Answer, they will be deemed admitted.

Your Answer, 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:	A copy to:
Administrative Court Clerk c/o Pam Radzinski Division of Securities 160 E. 300 S., Second Floor Box 146760 Salt Lake City, UT 84114-6760 (801) 530-6600	Jeff Buckner Assistant Attorney General 160 E. 300 S., Fifth Floor Box 140872 Salt Lake City, UT 84114-0872 (801) 366-0310

A hearing date has been set for Tuesday, March 18th, 2008, 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 an Answer, as set forth herein, or fail to appear at the hearing, the Division of Securities may hold you in default, and a fine and other sanctions 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. Questions regarding the Order to Show Cause and Notice of Agency Action should be directed to the Division's attorney, Jeff Buckner, at (801) 366-0310.

DATED this 31st day of January, 2008.

WAYNE KLEIN
Director, Utah Division of Securities

Certificate of Mailing

I certify that on the 1st day of ~~January~~ FEBRUARY, 2008, I mailed, by certified mail, a true and correct copy of the Order to Show Cause and Notice of Agency Action to:

Coin Trade Center, LLC
1102 S. State Street
Orem, UT 84097

Certified Mail #70070710000302081730

Howard L. Gurney
289 N. 400 E.
Lehi, UT 84043

Certified Mail # 70070710000302081747

Toni D. Gurney
289 N. 400 E.
Lehi, UT 84043

Certified Mail # 70070710000302081754

Executive Secretary