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**STATE OF WASHINGTON  
DEPARTMENT OF FINANCIAL INSTITUTIONS  
SECURITIES DIVISION**

IN THE MATTER OF DETERMINING  
Whether there has been a violation  
of the Securities Act of the State  
of Washington by:

STEVEN B. YOUNG; YOUNG FINANCIAL  
SERVICES; GOLD & SILVER EXCHANGE; their  
employees and agents

Respondents.

S-02-354-03-TO01

SUMMARY ORDER TO CEASE AND DESIST

Case No. S-02-345

9 THE STATE OF WASHINGTON TO: Steven B. Young  
10 Young Financial Services  
11 Gold & Silver Exchange

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**STATEMENT OF CHARGES**

Please take notice that the Securities Administrator of the State of Washington has reason to believe that Respondents, Steven B. Young, Young Financial Services, and Gold & Silver Exchange have each violated the Securities Act of Washington and that their violations justify the entry of an order of the Securities Administrator under RCW 21.20.390 against each of them to cease and desist from such violations. The Securities Administrator finds that delay in ordering the Respondents to cease and desist from such violations would be hazardous to the investors and to the public and that a Summary Order to Cease and Desist should be entered immediately. The Securities Administrator finds as follows:

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**TENTATIVE FINDINGS OF FACT**

I. Respondents

1. Steven B. Young ("Young") is a former insurance salesperson and resident of Port Angeles, Washington. Young was licensed to sell insurance products in the state of Washington, from 1988 to 2002.
2. Young has been doing business as Young Financial Services in Port Angeles, Washington since at least 1989.

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1 3. Young has been doing business as Gold & Silver Exchange in Port Angeles, Washington since at least  
2 1995.

3 II. Prior Administrative Action and Bankruptcies

4 4. In November 1998, the State of Washington Department of Financial Institutions, Securities Division  
5 served Young and Young Financial Services with a Summary Order to Cease and Desist for violations of the registration,  
6 licensing and antifraud provisions of the Securities Act of Washington. In December 1998, the Securities Division  
7 served a Final Order to Cease and Desist against Young for those violations. The Findings of Fact in the Final Order to  
8 Cease and Desist state that Young offered a security by offering an investor a guaranteed rate of return of 14% per year  
9 so long as the investor purchased silver coins through Young and held those silver coins for 36 months. The Conclusions  
10 of Law in that Final Order to Cease and Desist state that the security was not registered with the Securities Division  
11 which was in violation of RCW 21.20.140; that Young was not licensed to sell securities in the state of Washington  
12 which was in violation of RCW 21.20.040; and that the sale was in violation of RCW 21.20.010, the anti-fraud  
13 provisions, because Young failed to disclose the risks associated with the investment and the basis of the guarantee.

14 5. Young has filed for bankruptcy four times in the last thirteen years. Young filed for Chapter 13  
15 bankruptcy in 2000 and Chapter 7 bankruptcy in 1987, 1993 and 1995.

16 III. Offers and Sales of Investments

17 6. Young, through Young Financial Services and Gold & Silver Exchange, solicited and received more  
18 than \$225,000 in checks and precious metals for investment purposes from three Washington residents from July 1998  
19 through June 2001. These investments include the purchase of precious metals with a guaranteed rate of return through  
20 Gold & Silver Exchange and notes and evidences of indebtedness through Young Financial Services.

21 7. One elderly investor, who originally contacted Young to purchase health and assisted living insurance,  
22 made four separate investments totaling \$195,000. After she purchased the insurance products, Young recommended to  
23 the investor that she invest in gold and silver. Young promised the investors that she would receive an 8% annual rate of  
24 return from Young if she held the investment for four years. Additionally, the investor and Young agreed that any profits  
above 8% would be equally split between them. Based upon this representation, from July 1998 through September

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1 1998, she invested \$55,950 in gold and silver coins and palladium bars with Young Financial Services, which  
2 purportedly invested the money.

3 8. In 2000, the same investor had an additional \$25,000 that she was looking to invest. She contacted  
4 Young and asked him how she should invest the funds. Young told the investor that he would pay her a 12% annual rate  
5 of return if she loaned the funds to Young Financial Services for a two-year period. According to the promissory note  
6 signed by the investor and Young, the loan was to Young Financial Services and the funds were to be used to purchase  
7 precious metals for investment purposes. The agreement was that Young would give the investor \$250 per month for  
8 two years and then return the principal at the end of the two years. Young made the initial payments but then stopped all  
9 payments and never returned the principal investment.

10 9. While the same investor was still receiving payments on the promissory note, the same investor notified  
11 Young that she had a \$115,000 investment that was near maturity. Young told the investor that he would reinvest her  
12 money for her and that she would receive over \$700 per-month for 18 months and at the end of the 18 months her  
13 principal would be returned. According to the contract, on Gold & Silver Exchange letterhead, entitled "Cash Left on  
14 Deposit" and signed by Young, in the investor would receive an annual rate of return of 7.35%. After she invested, the  
15 investor asked Young why she had not received her tax forms from the IRS relating to the investment. Young said that  
16 he did not have the tax forms because he had to keep switching the investment from different companies. Young initially  
17 deposited several monthly interest payments into the investor's bank account, but soon they stopped. Even after repeated  
18 demands, at the end of the investment period the investor did not receive the return of her principal.

19 10. Another investor, who already owned gold coins, contracted with Young to allow Young to borrow the  
20 gold coins so that he could trade the coins if a good investment opportunity for the coins arose. Young promised the  
21 investor \$250 per month for one year if Young was allowed to take possession of the \$30,000 worth of gold coins for  
22 trading purposes. Young gave the investor an agreement that stated that if Young were to sell the gold coins owned by  
23 the investor during the investment period, that at the end of the period, Young would replace those coins with coins of  
24 equal value. At the end of the year, Young and the investor extended the agreement for a second year. At the end of the  
25 second year, the investor's coins were not returned.

1 11. Another investor loaned Young \$5,000 worth of gold for a two-year period with the agreement that  
2 Young would make quarterly interest payments to the investor for an 8% annual rate of return. At the end of the  
3 investment period, the investor's coins were not returned.

4 IV. Misrepresentations and Omissions

5 12. Young failed to disclose material information about the investment opportunities described above,  
6 including but not limited to, the risk involved in the investments, financial statements for Young Financial Services and  
7 Gold & Silver Exchange and the basis upon which Young could guarantee their investment. Additionally, Young failed  
8 to disclose to the investors material information regarding the investment opportunities, including the Summary Order  
9 and Final Order to Cease and Desist issued by the Securities Division against Young and Young Financial Services, as  
10 well as Young's bankruptcy filing in 1993, 1995 and 2000.

11 V. Registration Status

12 13. The offer and/or sale of investments by Young, Young Financial Services and Gold & Silver Exchange  
13 are not currently, and have not previously been, registered under the Securities Act of Washington.

14 14. Steven B. Young is not currently registered as a securities salesperson or broker-dealer in the state of  
15 Washington and has not previously been so registered.

16 15. Young Financial Services and Gold & Silver Exchange are not currently registered as broker-dealers in  
17 the state of Washington and have not previously been so registered.

18 Based upon the foregoing Tentative Findings of Fact the following Conclusions of Law are made.

19 **CONCLUSIONS OF LAW**

20 I. Securities

21 16. The offer and/or sale of the investment opportunities described above constitutes the offer and/or sale of  
22 a security as defined in RCW 21.20.005 (10) and (12).

23 II. Anti-Fraud Provision

24 17. The offer and/or sale of said securities was made in violation of RCW 21.20.010 because the  
25 Respondents made misstatements of material fact or omitted to state material facts necessary in order to make the

26 SUMMARY ORDER TO CEASE AND  
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1 statements made, in the light of the circumstances under which they were made, not misleading. These omitted  
2 statements include, but are not limited to, Young's failure to disclose the Summary Order and Final Order's to Cease and  
3 Desist for the offer and sale of precious metals in violation of the Securities Act of Washington and Young's failure to  
4 disclose to investors that he filed for bankruptcy in 1993, 1995 and 2000. Additionally, Young Failed to disclose to  
5 investors the risk factors of the investment and provide financial statements for Young Financial Services and Gold &  
6 Silver Exchange.

7 **III. Registration of Securities**

8 18. The offer and/or sale of said securities is in violation of RCW 21.20.140, the registration section of the  
9 Securities Act, because no registration for such offer and/or sale is on file with the Securities Administrator of the state of  
10 Washington.

11 **IV. Registration of Broker-Dealer and Salespersons**

12 19. Respondents, Steven B. Young, Young Financial Services and Gold & Silver Exchange have each  
13 violated RCW 21.20.040 by offering and/or selling said securities while not being registered as a broker-dealer or  
14 securities salesperson in the state of Washington.

15 **EMERGENCY**

16 The Securities Administration finds that an emergency exists and that the continued violations of RCW  
17 21.20.010, RCW 21.20.140, and RCW 21.20.040, present a threat to the investing public. Accordingly, a Summary Order  
18 to Cease and Desist from those violations is in the public interest and necessary for the protection of the investing public.

19 **SUMMARY ORDER**

20 Based upon the foregoing, IT IS THEREFORE HEREBY SUMMARILY ORDERED that Respondents, Steven  
21 B. Young, Young Financial Services, Gold & Silver Exchange, their agents, and employees shall each cease and desist  
22 from violating RCW 21.20.010, the anti-fraud section of the Securities Act.

23 It is further SUMMARILY ORDERED that Respondents, Steven B. Young, Young Financial Services, Gold &  
24 Silver Exchange, their agents, and employees shall each cease and desist from violating RCW 21.20.140, the securities  
25 registration section of the Securities Act.

26 **SUMMARY ORDER TO CEASE AND  
27 DESIST**

1 It is further SUMMARILY ORDERED that Respondents, Steven B. Young, Young Financial Services, Gold &  
2 Silver Exchange, their agents, and employees shall each cease and desist from violating RCW 21.20.040, the broker-  
3 dealer and securities salesperson registration section of the Securities Act.


4 **AUTHORITY AND PROCEDURE**

5 This Order is entered pursuant to the provisions of RCW 21.20.390, and is subject to the provisions of Chapter  
6 34.05 RCW. The Respondents, Steven B. Young, Young Financial Services and Gold & Silver Exchange may each make  
7 a written request for a hearing as set forth in the NOTICE OF OPPORTUNITY TO DEFEND AND OPPORTUNITY  
8 FOR HEARING accompanying this Order. A request for a hearing should be in writing and sent to Deborah R. Bortner,  
9 Securities Administrator, Department of Financial Institutions, P.O. Box 9033, Olympia, Washington 98507-9033 to the  
10 attention of Tyler Letey.

11 If a respondent does not request a hearing, the Securities Administrator intends to adopt the above Tentative  
12 Findings of Fact and Conclusions of Law as final and make the Summary Order to Cease and Desist permanent as to that  
13 Respondent.


14 WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE.


15 DATED this 11<sup>th</sup> day of July, 2003

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17 DEBORAH R. BORTNER  
18 Securities Administrator

19 Approved by:

Presented by:

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22 Michael E. Stevenson  
23 Chief of Enforcement

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25 Tyler Letey  
26 Staff Attorney

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