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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
SCI PARTNERS, LLC	**Docket No.** SD-07-0059
STRATEGIC TRADERS LLC	**Docket No.** SD-07-0060
STRATEGIC INVESTORS LLC	**Docket No.** SD-07-0061
PRO TRADERS CLUB LLC	**Docket No.** SD-07-0062
GO 2 INVESTMENTS LLC	**Docket No.** SD-07-0063
KEVIN L. WARNER, LLC	**Docket No.** SD-07-0064
KEVIN L. WARNER	**Docket No.** SD-07-0065
Respondents.	

It appears to the Director of the Utah Division of Securities (Director) that SCI Partners, LLC, Strategic Traders LLC, Strategic Investors LLC, Pro Traders Club LLC, Go 2 Investments LLC, Kevin L. Warner, LLC, and Kevin L. Warner 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 and the subject matter is appropriate because the Division alleges that 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 RESPONDENTS

2. Kevin L. Warner (Warner) resides in Davis County, Utah.

3. SCI Partners, LLC (SCI) was registered as a Utah limited liability company on December 6, 2002, but its entity status expired on April 14, 2005. Warner was the sole manager and member of SCI.

4. Strategic Traders LLC (Strategic Traders) was registered as a Utah limited liability company on December 6, 2002, but its entity status expired on April 5, 2007. Warner was the registered agent of Strategic Traders, and was its sole manager and member.

5. Strategic Investors LLC (Strategic Investors) was registered as a Utah limited liability company on March 29, 2005, but its entity status expired on April 8, 2005. Warner was the sole member of Strategic Investors.

6. Pro Traders Club LLC (Pro Traders) was registered as a Utah limited liability company on June 2, 2004, but its entity status expired on September 15, 2005. Warner held himself out to be the owner of Pro Traders, although he was neither a manager nor member.

7. Go 2 Investments LLC (Go 2) was registered as a Utah limited liability company on February 14, 2005, but its entity status expired on May 24, 2006. Warner was the sole member of Go 2.

8. Kevin L. Warner, LLC (KLW) was registered as a Utah limited liability company on November 5, 2001, but its entity status expired on March 24, 2004. Warner held himself out to be the owner of KLW, although he was neither a manager nor member.

GENERAL ALLEGATIONS

9. From January 2003 through March 2006, Warner solicited and received a total of $521,250 in investment funds, from at least twelve Utah investors.

10. Warner solicited investment funds for six separate investment opportunities, including:

(a) Units in Warner's company, SCI Partners LLC. Warner told investors in SCI Partners LLC, among other things, that he was offering a maximum of 20 units in SCI; one unit cost $10,000; investors could get their funds back at any time; Warner was licensed to trade commodities; investors would receive returns based on the number of trades Warner was able to complete through Strategic Traders; and investors would earn $.12½ per trade.

(b) Units in Warner's company, Strategic Traders. Warner told the three investors in Strategic Traders different information, described in more detail below.

(c) Percentage ownership in Strategic Investors. Warner told investors in Strategic Investors, among other things, that he wanted to sell 10% ownership in Strategic

Investors for $15,000, and that Strategic Investors and its owners would make money from commodities traded through a clearinghouse.

(d) Pro Traders pooling. Warner told investors in Pro Traders, among other things, that Pro Traders allowed investors to meet at an office and trade commodities contracts on individual or pooled accounts based on a system created by Warner; investors would have to purchase a seat for $1,200, and place an additional $10,000 in a trading account; and investors could pull their money out at any time.

(e) Commodities Trading through KLW. Warner told those who invested in commodities trading through KLW, among other things, that investor funds would be used only to trade futures; Warner would invest $10,000 of his own money into the pool; and that investors could remove their money at any time.

(f) Go 2 foreign exchange trading. Warner told investors in Go 2 different information, which is described in more detail below.

11. Warner also gave personal guarantees and issued unsecured promissory notes to some investors in return for their investment or loan.

12. The investment opportunities (investment contracts and interest in limited liability companies), guarantees, and promissory notes, offered and sold by Warner fall within the definition of a security under § 61-1-13 of the Act.

13. Investors either received a small portion of their investment back from Warner, or nothing.

Investor A. S.

14. In the fall of 2002 Warner solicited an investment from A. S.

15. Warner and A. S. had many discussions regarding Warner's investment opportunity. The discussions took place over the telephone and in person at Warner's office in Salt Lake County, or at A. S.'s home in Davis County.

16. Warner told A. S. the following regarding the investment opportunity in SCI:

    a. Warner was leaving Wheatland Brokerage, LLC (Wheatland) to start SCI.

    b. Money Warner made through unit sales would only be used to trade grains.

    c. Warner would receive no compensation from unit sales.

    d. Warner would transfer some of his customer's accounts from Wheatland to Strategic Traders.

    e. Warner traded the accounts for J. R. Simplot Company[1] (Simplot).

    f. Warner had to pay a $150,000 bond through a Futures Commission Merchant called Man Financial[2] before trading could commence.

    g. Warner had a corner on the grain/commodities trading market, and knew many of the grain growers in Idaho, and grain/commodities were his "back yard."

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[1] J. R. Simplot Company is a global food and agribusiness conglomerate with products sold in every state and many foreign countries.

[2] Man Financial (now called MF Global) is a broker of exchange-listed futures and options.

h. Warner had owned a granary in Ogden, but eventually "lost" it.

i. Grain/commodities trading was risky business.

j. If an investor purchased four units of SCI, he or she would receive a $7,000 discount.

k. Warner told A. S. the information contained in paragraph 11(a) above.

17. Warner gave A. S. a document which explained how to request the return of investment funds, and included a formula to calculate how long it would take.

18. Warner showed A. S. some charts based on Warner's trading through Wheatland. The charts showed how much Warner would make each month based on the percentage of business Warner could move from Wheatland to Strategic Traders.

19. On December 3, 2002, A. S. invested $33,000 in SCI (purchased four units) by giving Warner a personal check made payable to SCI. Warner picked up the $33,000 check from A. S.'s home.

20. The four units A. S. purchased were divided between A. S., A. S.'s mother, and A. S.'s step-father. A. S.'s mother and step-father later paid A. S. $20,000 for their units.

21. In return for their investments, A. S., A. S.'s mother, and A. S.'s step-father each received a certificate of ownership.

22. Besides himself, his mother and step-father, A. S. was aware of four other SCI unit holders at the time of his investment.

23. A. S.'s $33,000 check was deposited into Warner's Zions Bank account on or about

December 4, 2002, bringing the account balance to $32,882.81.

24. Despite telling A. S. that his investment funds would only be used to trade grains, Warner used A. S.'s investment funds to purchase computer software, pay banking fees, and to purchase a fax machine and desk from Office Max. Warner also wrote checks for as much as $2,500 to six different individuals, and wrote one check for $1,600 to his mother.

25. By December 16, 2002, Warner's Zions Bank account had a negative balance.

26. After A. S. invested, Warner opened an office in Weber County, Utah, to start trading.

27. Warner also started paying monthly dividend checks to A. S., but the majority of them were returned due to non-sufficient funds.

28. In November 2003, while attending the same party in Weber County, Warner mentioned a new investment opportunity to A. S.

29. Warner told A. S. the following about the investment opportunity in Pro Traders:

    a. Warner had been "dummy trading" options on an account, and had figured out a way to beat the trading system.

    b. Warner put $10,000 of his own money into a trading account.

    c. For each $10,000 an investor put into an account, the investor would be able to trade at a higher rate, and would therefore be able to make higher returns through Man Financial.

    d. Warner told A. S. the information included in paragraph 11 (d) above.

30. Warner showed A. S. some graphs based on Warner's "dummy trades," which showed that Warner had been making money.

31. On January 12, 2004, A. S. invested $20,000 in Pro Traders, by giving Warner a cashier's check made payable to Warner.

32. Of the $20,000 invested, A. S. instructed Warner to put $10,000 into a Pro Traders trading pool account, and $10,000 into an account with Warner's money. Warner told A. S. he would trade the money for himself and A. S. alone.

33. In return for the $10,000 investment in Warner's account, Warner gave A. S. a "Loan Agreement," dated January 13, 2004, which appears to have been signed by Warner.

34. In the agreement, Warner guarantees payment of the $10,000 to A. S., plus 1.5% compounding monthly interest. The agreement includes a maturity date of January 13, 2005.

35. A. S.'s $20,000 check was deposited into Warner's Key Bank account on or about January 12, 2004, bringing the account balance to $20,081.23.

36. Despite telling A. S. that his investment funds would be deposited into trading accounts, Warner withdrew $9,675 in cash, and wrote himself a check for $3,333.33. By January 20, 2004, Warner's Key Bank account had a negative balance.

37. In February 2004, A. S. requested monthly statements accounting for his investments with Warner, but Warner failed to provide them.

38. Sometime between February and April 2004, SCI unit owners, including A. S., each gave

Warner a no-interest loan of approximately $1,600, because Warner was having financial difficulties and bouncing checks.

39. After April 2004, Warner began giving A. S. and the other SCI investors excuses as to why Warner was unable to pay investors.

40. In August 2004, A. S. contacted Man Financial to see what happened to his investment funds and was told that Man Financial had no record of A. S.'s investments.

41. On or about August 30, 2004, A. S., his mother, and his step-father asked Warner to return their investment funds.

42. After A. S. asked Warner to return his and his parents' investment funds, Warner started paying A. S. monthly payments of anywhere from a few hundred dollars to $5,000.

43. Warner understood that A. S. was going to use all of the money he received from Warner (approx. $19,000) to first pay A. S.'s brother (for back-wages due from Warner), and to pay A. S.'s mother and step-father (for their investment). The payments stopped in June 2006.

44. To date, A. S. has received $1,500 from his investments with Warner. Warner still owes A. S. $51,500.

Investor J. R. J.

45. Warner and J. R. J. met a couple of times in November and December 2002 at Warner's office located in Weber County, Utah, to discuss an investment in SCI.

46. Warner told J. R. J. the following about an investment opportunity in his company SCI:

a. There was no minimum investment needed to participate.

b. Warner would sell whole units or fractions of units to accommodate investors.

c. Strategic Traders was trading commodities through a clearinghouse called Man Financial.

d. The market for trading commodities was big and had a lot of potential.

e. Every trade made through Man Financial would earn approximately $14 for Strategic Traders, and each unit owned by an investor would make $.12½ of the $14. So the more trades that occurred, the more money a unit would earn.

f. Money made from selling units would be used for Strategic Traders' business costs, including advertising.

g. Advertising would be used to attract commodities traders to Strategic Traders, and more trades through Strategic Traders meant a higher return for SCI investors.

h. Investment funds would also be used by Warner to buy-out Warner's previous business partners in Wheatland Brokerage, LLC.

i. Unit owners would become members of SCI's Board of Directors.

j. Warner told J. R. J. the information in paragraph 11 (a).

47. Warner gave J. R. J. two documents, a "Strategic Traders LLC SCI LLC Operating Agreement," and a "Strategic Traders Guarantee to SCI Partners."

48. The operating agreement explains that money invested in SCI is to be used as capital in

Strategic Traders.

49. The guarantee states that Strategic Traders will make at least 800 trades per month.

50. On January 7, 2003, J. R. J. invested $10,000 in SCI by giving Warner a personal check made payable to SCI.

51. In return for J. R. J.'s investment, Warner gave J. R. J. a written receipt and a certificate of ownership in SCI. The receipt and certificate both appear to have been signed by Warner.

52. On February 13, 2003, J. R. J. received a "dividend" payment of $187.75 from Warner.

53. On April 12, 2003, J. R. J. invested another $4,500 in a half unit of SCI, by giving Warner a personal check made payable to SCI.

54. In return for J. R. J.'s $4,500 investment, Warner gave him another receipt and a certificate of ownership, both of which appear to have been signed by Warner.

55. On or about October 29, 2003, Warner asked J. R. J. to make a personal loan to Warner so he could expand SCI's business. Warner told J. R. J. he would guarantee the loan and pay J. R. J. interest.

56. On October 29, 2003, J. R. J. gave Warner a personal check for $5,000 made payable to KLW.

57. In return for the loan, Warner gave J. R. J. a "Loan Agreement," which states that in exchange for the loan, J. R. J. would receive one quarter unit of SCI, and monthly compounding interest of 1.5%, for a term of one year. Warner appears to have signed the

agreement, which is dated October 29, 2003.

58. In December 2003, J. R. J. invested another $2,500 in a quarter of a unit in SCI, by giving Warner a personal check made payable to Warner.

59. In return, Warner gave J. R. J. a certificate of ownership in SCI, which appears to have been signed by Warner.

60. About the time J. R. J. purchased the last quarter of a unit, Warner stopped making payments to J. R. J.

61. In January 2004, Warner told J. R. J. about his desire to start a new business called Pro Traders.

62. Warner told J. R. J. the following about an investment opportunity in Pro Traders:

    a. Warner was selling 25 seats in Pro Traders.

    b. The purchase of a seat would go toward purchasing a computer for each seat owner.

    c. Each member would make trades on their accounts based on Warner's instructions which would be projected on a large screen.

    d. Warner told J. R. J. the information included in paragraph 11 (d) above.

63. On February 23, 2004, J. R. J. purchased a seat in Pro Traders by giving Warner a personal check for $1,200 made payable to Pro Traders.

64. During the initial set up of Pro Traders, Warner recommended the investors create a pool where investor money would be traded together instead of on individual accounts.

65. Warner told J. R. J. the following regarding the Pro Traders' trading pool:

a. Warner wanted members to invest $10,000 into the pool.

b. The pooled money would be traded by Warner, Warner's son, and investor A. S.'s brother, resulting in more money than Pro Traders members could earn individually, because the pool money would be traded more often.

66. On April 19, 2004, J. R. J. invested $10,000 in Warner's trading pool by giving Warner a personal check made payable to Strategic Traders.

67. Shortly after J. R. J.'s April 19, 2004 investment, Warner told J. R. J. he was struggling financially, and was bouncing checks due to insufficient funds.

68. In September 2004, J. R. J. and the members of SCI's Board of Directors each gave Warner an interest-free loan of approximately $1,600 to prevent overdraft charges on Strategic Traders' bank account.

69. In March or April 2005, J. R. J. paid a Strategic Investments LLC[3] investor $1,000 to purchase 5% his ownership, because the investor wanted out.

70. In return for purchasing J. P.'s 5% interest, Warner gave J. R. J. an additional 5% of Strategic Investments at no cost. Warner gave J. R. J. a certificate of ownership dated April 16, 2005, showing 10% ownership in Strategic Investments. The certificate

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[3] Strategic Investments LLC was registered as a Utah limited liability company on April 26, 2005, but its entity status expired on August 1, 2006. Warner was the registered agent and one of two members of Strategic Investments, the other member being investor J. R. J.

appears to have been signed by Warner.

71. J. R. J. has received a total of approximately $700 from his investments in Warner's investment opportunities.

72. Warner still owes J. R. J. approximately $31,300.

Investor J. L.

73. In May 2003, Warner solicited an investment in Strategic Traders and SCI from J. L. at J. L.'s his home in Davis County.

74. Warner told J. L. the following regarding the investment opportunity in Strategic Traders and SCI:

a. Warner had done well in the commodities business.

b. Fidelity Investments wanted Warner to become its main commodities trader based on his previous success, but Warner preferred to run his own business.

c. Warner sold a granary for three million dollars, and with this money, Warner bought out his former Wheatland partners and started Strategic Traders.

d. Warner and his son owned and operated Strategic Traders.

e. Warner wrote a book and developed a system of trading based on "historicals."

f. The "historicals" trading system was doing well and was making a good return.

g. Warner could not show J. L. documentation on the trading because it would reveal trader names, and Warner was not allowed show the names because it would violate the National Futures Association rules.

h. Warner wanted J. L. to own 25% of Strategic Traders, and the other 75% would be owned by Warner and his son.

i. It would cost $31,250 to buy into Strategic Traders.

j. Investment money would be used for rent, overhead, and other business costs.

k. J. L. would make money from profits made by trading accounts in Strategic Traders.

l. Every time a trade was made on a Strategic Traders account, Strategic Traders would make $15 of profit. J. L. would make money based on a percentage of this $15 of profit.

m. Warner also wanted J. L. to own part of SCI, which was related to Strategic Traders.

n. Warner was willing to sell portions of units, so there was no minimum investment amount.

o. There was no risk involved with the investments.

p. Warner had made a prior investor millions of dollars.

q. Warner was getting investors involved because he wanted to "spread the wealth."

r. SCI investor funds would be used for trading only.

s. Warner told J. L. the information contained in paragraph 11 (a) above.

75. Warner and J. L. had many discussions about the investments following the initial meeting.

76. J. L. told Warner that his investment funds would come from a second mortgage on J. L.'s home.

77. On or about June 1, 2003, at Warner's office in Weber County, J. L. invested in SCI by giving Warner a personal check for $20,000 made payable to SCI.

78. In return for J. L.'s investment, Warner gave J. L. four certificates of ownership, each representing ownership of ½ of one unit in SCI, for a total of 2 units.

79. Warner also gave J. L. a receipt which acknowledged that J. L. purchased two units of SCI for $20,000.

80. The certificates and the receipt are both dated June 2, 2003, and were signed by Warner in J. L.'s presence.

81. After investing, J. L. received a written personal guarantee from Warner, dated June 24, 2003, which was signed by Warner and notarized in front of J. L. at a local library.

82. On or about July 1, 2003, at Warner's office, J. L. invested $31,250 in Strategic Traders by giving Warner a personal check made payable to Warner.

83. In return for the investment, Warner gave J. L. two documents, a certificate of ownership of 25% of Strategic Traders, and a receipt acknowledging the receipt of $31,250. The certificate and the receipt are dated July 1, 2003, and both documents were signed by Warner in J. L.'s presence.

84. Warner also gave J. L. a personal guarantee, dated July 1, 2003, which was signed and notarized in front of J. L. at a local library.

85. After making the investments, Warner made sporadic payments to J. L.

86. In November 2003, Warner told J. L. things were going slow. Warner talked about starting a new investment deal.

87. Warner told J. L. the following about the investment opportunity in Pro Traders:

a. Warner wanted to start Pro Traders in February 2004.

b. Warner would set aside five seats in Pro Traders for individuals involved in Strategic Traders, and J. L. could run one of the seats.

c. Warner told J. L. some of the information contained in paragraph 11 (d) above.

88. In April 2004, Warner talked to J. L. about starting a commodity pool through his company KLW. Warner told J. L. the following about the commodity pool:

a. Only Warner, J. L., and J. L.'s parents would be involved in the pool.

b. There would be no minimum amount to invest into the pool.

c. Warner would not take a commission from this investment.

d. The money would be traded with a system that was working well.

e. Warner told J. L. the information contained in paragraph 11 (e) above.

89. In April 2004, at Warner's office, J. L. invested $15,000 in the KLW commodity pool by giving Warner a personal check.

90. In July 2004, J. L. went to Warner's office to watch Warner trade. J. L. saw Warner lose approximately $60,000 while trading on an account.

91. Shortly thereafter J. L. asked Warner for current statements on his accounts.

92. On or about July 31, 2004, Warner gave J. L. and his father statements of their accounts.

93. J. L. requested all of his investment funds back at that time.

94. Warner told J. L. it would take a few days to get their money, and then Warner continued to make excuses and delay repayment.

95. In the end of August 2004, Warner began making payments to J. L.

96. In August 2004, Warner asked to meet with J. L., his wife, and J. L.'s father.

97. During the meeting, at Warner's office, Warner confessed to J. L., his wife, and J. L.'s father that Warner used all of their investment funds to pay personal debts and to pay other investors.

98. J. L. has been able to recover between $5,000 and $8,000 of their investment funds, and Warner still owes J. L. approximately $61,000.

Investors A. L. and L. L., Husband and Wife

99. In August or September 2003, A. L., L. L., and their son met with Warner at Warner's office in Weber County, Utah.

100. A. L. and L. L. wanted to meet with Warner to discuss moving money from A. L.'s and L. L.'s IRA to a new IRA with Warner. Warner asked A. L. and L. L. to complete forms disclosing all of their assets and net worth.

101. After the meeting to discuss the IRA account, Warner called J. L. and said he was not able to move A. L.'s and L. L.'s money to a new IRA account, but he was willing to let A. L. and L. L. invest in SCI.

102. Warner told A. L. and L. L. the following about the investment opportunity in SCI:

a. Warner was willing to sell one of his five units to A. L. and L. L.

b. Warner was making as much as 200% profits per day.

c. Warner told A. L. and L. L. the information contained in paragraph 11(a) above.

103. During the meeting, Warner provided A. L. and L. L. with written information about SCI, including its Articles of Organization, and three documents entitled "SCI LLC Offering of Membership," "Strategic Traders LLC SCI LLC Operating Agreement," and "Strategic Traders Guarantee to SCI Partners."

104. The offering of membership describes the investment, the operating agreement describes how SCI and Strategic Traders are related to each other and states that investors will earn $.12½ per trade for every unit owned, and the guarantee states that Strategic Traders will make at least 800 trades a month.

105. On or about September 6, 2003, at Warner's office, A. L. and L. L. invested $10,000 in SCI by giving Warner a cashier's check.

106. In return for the investment, Warner gave A. L. and L. L. a certificate of ownership, a receipt, and a personal guarantee.

107. Warner signed all of the documentation in the presence of A. L. and L. L. at Warner's office.

108. On or about November 2003, A. L. and L. L. met Warner at Warner's office to discuss a different investment.

109. Warner told A. L. and L. L. the following about the investment opportunity in Pro Traders:

a. Warner was looking to start another business called Pro Traders.

b. Pro Traders would have a limited number of memberships, or seats, available.

c. Warner wanted to sell the seats to investors and the cost for each seat would be $1,200 plus $400 per month to maintain the seat.

d. Once a seat was purchased, an additional $10,000 was needed to start an account for the seat holder.

e. Warner wanted to start Pro Traders in April 2004.

f. Warner told A. L. and L. L. the information contained in paragraph 11 (d) above.

110. On or about April 16, 2004, A. L. and L. L. purchased one seat in Pro Traders while at Warner's office, by giving Warner a personal check for $1,200 made payable to Pro Traders.

111. Warner gave A. L. and L. L. a document entitled "Pro Traders Club Agreement" discussing the risk involved with Pro Traders, membership requirements, and the rules.

112. In April 2004, Warner talked to A. L. and L. L. about investing additional funds into a pool that would only involve Warner, A. L., L. L. and their son, J. L. Warner told A. L. and L. L. the following about the investment pool:

a. The pool money would be traded based on a system that was working well.

b. The money would be invested through his company KLW.

c. Warner told A. L. and L. L. the information contained in paragraph 11(e) above.

113. A. L. and L. L. invested $30,000 in the KLW pool account by giving Warner two separate checks while at Warner's office on two separate days. The first check was a personal check for $10,000, dated February 13, 2004, made payable to KLW. The second check was a cashier's check for $20,000, dated April 27, 2004, made payable to Strategic Traders.

114. After investing in Pro Traders, A. L.'s and L. L.'s account was traded for about three months by the temporary workers Warner hired. The temporary workers traded accounts based on Warner's instructions.

115. In July 2004, A. L. and L. L., along with other seat holders, realized that Pro Traders was failing.

116. Warner told seat holders they could move their money to a pool that would be traded by Warner. A. L. and L. L. decided to leave their money in their account.

117. In July 2004, J. L. told A. L. and L. L. that he had gone to Warner's office to see Warner, and while J. L. was there, he watched Warner lose about $60,000 while trading.

118. A. L. and L. L. asked Warner for a current statement on the pool money, and on July 31, 2004, Warner provided it to them.

119. After reviewing the pool statement, A. L., L. L., and J. L. asked Warner to return their pool money.

120. Warner said it would take a couple of days to get the money.

121. At about this same time, A. L. and L. L. requested to have all of their investment funds returned.

122. Warner continually ignored A. L.'s and L. L.'s requests to have their investments returned.

123. In August 2004, A. L. and L. L. froze their Pro Traders account and liquidated the money remaining, which was $1,400.

124. To date, A. L. and L. L. have received approximately $4,600 from Warner's investment opportunities. Warner still owes A. L. and L. L. approximately $35,400.

Investor D. B.

125. In October or November 2003, at Warner's office in Weber County, Utah, D. B. talked to Warner about investing money in SCI.

126. Warner told D. B. the following about the investment opportunity in SCI:

a. Warner was going to buy units in SCI with his investment money.

b. Because D. B. was a friend, Warner would split a unit with him.

c. Money from different investors would be pooled.

d. There were roughly twelve investors.

e. Investors made money based on the amount invested in the pool.

f. Warner guaranteed D. B. he would get his money back plus monthly 401K payments, even if the money had to come out of Warner's own pocket.

g. Warner told D. B. the information in paragraph 11 (a) above.

127. D. B. told Warner any investment funds would be on loan from D. B.'s 401k account. Warner agreed to accept funds from the 401k account.

128. In October or November 2003, at Warner's office, D. B. invested $5,000 in SCI.

129. In September or October 2004, D. B. received money from an accident settlement and wanted to invest some of it with Warner.

130. Warner suggested D. B. invest his money in Strategic Traders, and told D. B. the following about the investment opportunity:

a. There was risk involved with the investment in Strategic Traders.

b. Whatever amount D. B. decided to invest, Warner would match it.

c. Profit would be divided in half, but before it was divided, Warner would take out a little bit of money for business expenses.

d. D. B. could take his money out at any time.

e. A maximum of $750,000 could be invested.

f. The investment would only involve D. B. and Warner.

g. D. B. would need to get fingerprinted because if anything happened to Warner, D. B. would need to prove who he was to get his money back.

131. In September or October 2004, at America First Credit Union in Weber County, Utah, D. B. invested in Strategic Traders by giving $20,000 cash to Warner.

132. On or about November 2004, D. B.'s mom, G. B., who was 80 years of age at the time, invested $5,000 with Warner under the same terms as D. B.'s $20,000 investment.

133. In November 2005, D. B. visited Warner in person and based on Warner's nervous demeanor, asked Warner to return his and his mother's investments.

134. Shortly thereafter, D. B. received $33,000 from Warner, $10,000 of which was to be paid to his mother. G. B. received her original investment of $5,000, plus $5,000 in profit. D. B. received his original investment of $25,000 plus approximately $8,000 in profit between the $23,000 and the monthly dividends Warner had already paid.

135. In February 2006, at Warner's office, Warner solicited an investment from D. B. in Go 2. Warner told D. B. the following about the investment opportunity in Go 2:

a. Warner had hired an accountant to help manage the investment accounts.

b. Go 2 was in the business of foreign exchange trading.

c. Money could be taken out at the first of any month.

d. There was some risk involved.

136. On or about February 24, 2006, at Warner's office, D. B. invested in Go 2 by giving Warner a cashier's check for $15,000 made payable to Go 2.

137. In return for the investment, Warner gave D. B. a receipt on Go 2 letterhead acknowledging that Warner had received $15,000 from D. B.

138. After making the $15,000 investment, D. B. received a few account statements via e-mail, supposedly from a Peregrine Financial Group[4] representative.

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[4] Peregrine Financial Group is a commodities broker specializing in commodities, futures, gold, trading systems and options strategies.

139. D. B. contacted the representative by telephone to ask about Warner, but the representative said she "did not want to talk about Warner."

140. Records subpoenaed from Peregrine Financial Group did not match any of the account information provided to D. B. by the Peregrine Financial Group representative.

141. On or about April 5, 2006, D. B. received a statement on his Go 2 account from Warner. The statement states that D. B. had an ending balance of $17,389.33 for March 2006.

142. D. B. has not heard from Warner since June 2006.

143. Warner still owes D. B. $15,000 from his investment in Go 2.

Investor R. J.

144. In February 2004, Warner told R. J. he was making good money and doing well. Warner told R. J. he was making between $200,000 and $300,000 per year.

145. In March 2004, Warner solicited R. J., in Weber County, to invest in Pro Traders.

146. Warner told R. J. the following regarding the investment opportunity in Pro Traders:

a. Pro Traders was in the process of being set up.

b. Pro Traders would begin trading on or about April 2004.

c. Pro Traders would be group-owned with Warner acting as president and "running the show."

d. Pro Traders would operate using money from the sale of seats to investors.

e. Warner wanted 20 to 30 people to participate.

f. There were two investing options for the $10,000. Investors could either put their $10,000 into their account and trade the money themselves, or the members could put their money into a pool that would be traded by somebody else, based on Warner's instructions.

g. Profit for investors would be made through trading the accounts.

h. Money invested in the pool would be broken down by the percentage of money an investor had in the pool.

i. R. J. could trade an account, and once the account reached $10,000, R. J. would own the account. R. J. could put $10,000 into the pool whenever R. J. wanted.

j. There was a risk of losing money.

k. Warner would make money through the number of contracts that were traded by Pro Trader's members while on the floor.

l. Warner told R. J. the information contained in paragraph 11 (d) above.

147. R. J. went to Pro Traders to see how the trading worked.

148. After R. J. observed the trading, Warner told R. J. that a seat in Pro Traders would be worth "hundreds of thousands of dollars," and that investors would "make a lot of money."

149. On April 28, 2004, R. J. invested by giving Warner a $1,200 Discover Card check, made payable to Strategic Traders, to purchase a seat.

150. On or about May 18, 2004, R. J. invested in the trading pool by giving Warner a $10,000 Citibank check made payable to Pro Traders.

151. R. J. started to work with Warner when R. J. became a member of Pro Traders. R. J. worked in Warner's / Pro Traders' office and mock traded in an effort to help Warner find a better trading system to make money. R. J. did not work with investors.

152. On or about August 17, 2004, R. J. invested another $3,000 in Pro Traders, by Discover check made payable to Pro Traders.

153. R. J. recognized that Pro Traders was failing within a few months of investing.

154. In late August or September 2004, after Pro Traders ceased operations, Warner sold all of the computers and desks, and moved to another office in the same building.

155. On or about February 14, 2005, Warner started Go 2.

156. Warner told R. J. Go 2 would include only Warner and R. J., and all the money earned would be split between them.

157. On or about February 2006, Warner and R. J. opened a trading account through Peregrine Financial Group for Go 2. Warner told R. J. that Warner funded the account with R. J. remaining pool money, which amounted to approximately $5,600.

158. In approximately June 2006, R. J. lost contact with Warner, and discovered that Warner had solicited other people to invest in Go 2.

159. R. J. recovered approximately $50,000 remaining in Go 2's Peregrine Financial Group account, and distributed the funds to investors after they provided proof of their

investment.

160. R. J. received approximately $1,000 from the $50,000 in the Peregrine Financial Group account.

161. R. J. is still owed approximately $12,000 from Warner.

Investor D. B. 2

162. In April 2004, D. B. 2 met with Warner at Warner's office in Weber County to discuss an investment in Pro Traders. At the meeting, Warner told D. B. 2 the following regarding the investment opportunity in Pro Traders:

a. Pro Traders would be a group of investors that would get together and trade commodities contracts on accounts set up for the investors.

b. Warner ideally wanted about 25 investors in the group.

c. The group would open accounts in Man Financial, and through these accounts, investors would trade commodities contracts, which were akin to stock.

d. In order to make money, an investor had to buy contracts low and sell them when they increased in value.

e. There was a large, open market, so all of the investors would be able to get into the market and make money.

f. There were no guarantees involved with the investment.

g. To get money from an investor account, investors had to contact Man Financial. To get money from the pool, investors had to talk to Warner.

h. Warner was licensed to sell investments.

i. Warner traded grain in the past, and had been day-trading for about one year.

j. Warner told D. B. 2 the information contained in paragraph 11 (d) above.

163. In March or April 2004, D. B. 2 purchased a seat in Pro Traders for $1,200. D. B. 2 also invested $10,000 to trade on the seat, and another $10,000 to be traded in the pool, for a total of $21,200.

164. In April or May 2004, D. B. 2 purchased an additional seat for $1,200.

165. Prior to investing, D. B. 2 told Warner that he would invest using money from his 401K.

166. In August 2004, D. B. 2 and other investors realized they were losing money in the trades, and some investors asked for their money back.

167. On October 13, 2004, D. B. 2 contacted Warner and requested his money back.

168. Warner told D. B. 2 to contact Man Financial to get the rest of his money, which was approximately $13,500.

169. Warner told D. B. 2 it would take a few days to get D. B. 2's share of the pool.

170. A few days later, Warner told D. B. 2 that Warner had liens on his home from a prior investment deal that had gone bad, and had lost all of the pooled money.

171. Warner admitted to D. B. 2 that Warner used pool money for his own expenses, and Warner told D. B. 2 he would pay him back a certain amount each month.

172. D. B. 2 received sporadic payments from Warner, and to date has received a total of approximately $2,500 of his pooled money from Warner. D. B. 2 is still owed $7,500.

Investor B. R.

173. In October 2004, B. R., who was 69 years old at the time, met Warner in a café located in Weber County, Utah. During the meeting, Warner asked B. R. to purchase one unit of SCI, and told B. R. that one unit would provide a return of $.12½ per trade. Warner also told B. R. that it was a good investment.

174. About one week after the first meeting, still in October 2004, B. R. and Warner met at Warner's office in Weber County, Utah, to discuss the investment opportunity in SCI. Warner did not give B. R. any new information regarding the investment opportunity at this meeting.

175. In October or November 2004, Warner gave B. R. a document entitled "Agreement between Kevin L. Warner, Strategic Traders and Strategic Capital Investors." The agreement is dated November 1, 2002, and states that "all owners of Strategic Capital Investors will be paid $.12½ per trade, per month, per one full unit or divided by shares of one unit of ownership for the duration of this LLC." The agreement appears to have been signed by Warner as the president of Strategic Traders.

176. On or about November 18, 2004, B. R. invested $20,000 in SCI by giving Warner a cashier's check made payable to Warner. Warner picked up the cashier's check from B. R.'s home located in Weber County.

177. In return for his investment Warner gave B. R. a certificate of ownership in SCI, dated November 19, 2004, which appears to have been signed by Warner.

178. After investing in SCI, B. R. requested monthly statements of his account from Warner, but Warner failed to provide them.

179. On or about May 2005, Warner gave B. R. a profit and loss statement for SCI. The statement shows income of $13,858 and expenses of $13,858 for January 1, 2005, through May 31, 2005.

180. When Warner gave B. R. the SCI profit and loss statement, B. R. again requested monthly statements of B. R.'s account. Warner has yet to give B. R. the requested statements.

181. To date, B. R. has received approximately $3,000 of his $20,000 investment in SCI. Warner still owes B. R. $17,000.

Investor R. H.

182. In December 2004, Warner solicited R. H. to invest money with Warner.

183. Warner told R. H. the following about the investment opportunity in Strategic Traders:

a. Warner was starting a new day-trading method which was working well.

b. Strategic Traders was making about 30% return per year.

c. Any money R. H. invested would be used to day-trade.

d. Warner expected R. H.'s investment to make between 10-15% profit.

e. The minimum investment was $2,000.

f. Warner had made a lot of people a lot of money, including himself (Warner).

g. Warner had done well and was living in a nice home.

h. Other people had invested in Strategic Traders.

i. R. H. could get his investment funds back at any time.

j. Warner would be compensated for selling the investment by making a percentage of the profits.

k. Warner was licensed to trade.

184. On December 21, 2004, R. H. invested $2,000 in Strategic Traders by giving Warner a $2,000 personal check made payable to Strategic Traders. Warner picked up the check from R. H.'s office located in Weber County, Utah.

185. R. H. received nothing to document his investment.

186. On or about July 11, 2005, Warner asked R. H. to loan him $10,000 because Warner was making some changes at Strategic Investors, and needed money to purchase software.

187. Warner said he would pay R. H. 10% interest on the loan.

188. Warner wrote R. H. a check for $11,000 at that time and told R. H. to cash the check one week later.

189. R. H. agreed, and on or about July 11, 2005, gave Warner a $10,000 personal check made payable to Strategic Investors. Warner picked up the check from R. H.'s office, and did not give R. H. any documentation of the loan.

190. One week later, when R. H. was going to cash the $11,000 check he received from Warner, Warner called R. H. and told him not to cash the check because there was not

enough funds to cover the check in his account.

191. Warner continued to delay repayment on the loan, until about three months later when Warner delivered $5,000 cash to R. H. at R. H.'s office.

192. R. H. has received no additional return from his investment with Warner, or his "loan," and is still owed $7,000.

Investor J. H.

193. In February 2005, Warner called J. H. and solicited an investment in Warner's company, Strategic Investors.

194. J. H. met with Warner a couple of times to discuss the investment. Meetings took place either at J. H.'s job site or Warner's office, both of which were located in Weber County, Utah. Warner solicited J. H. to become a part owner in Strategic Investors.

195. Warner told J. H. the following about the investment opportunity in Strategic Investors:

a. Warner had been tutored by a company on how to trade futures and was running Strategic Investors.

b. Warner and the J. R. Simplot Company had an agreement with each other whereby Warner would trade gas futures for Simplot, and in return, Simplot would pay Warner money to use to run Strategic Investors.

c. Warner wanted to own 50% of Strategic Investors and sell the other 50% to investors.

d. Owners would make money based on the percentage owned.

e. At the end of the month, money would be disbursed to investors based on the percentage owned.

f. Warner had other investors.

g. Investors could sell their ownership at any time to someone else in order to get out of the investment.

h. Warner was licensed to sell futures.

i. Warner told J. H. the information contained in paragraph 11 (c) above.

196. Warner gave J. H. a document entitled "Strategic Investors LLC Estimates on Ownership," which contains approximations of how much investors would make.

197. J. H. agreed to purchase 20% of Strategic Investors for a total of $30,000.

198. In February and again in April 2005, at J. H.'s job site, J. H. gave Warner a personal check for $15,000, to purchase 20% of Strategic Investors. The February check was made payable to Warner, and the April check was made payable to Strategic Traders. J. H. received a receipt and a certificate of ownership from Warner in return for each $15,000 investment.

199. Prior to March 21, 2005, but after February 8, 2005, Warner showed J. H. financial statements for Strategic Investors which showed that Strategic Investors was making money.

200. J. H. asked Warner about investing money in Strategic Investors to be traded.

201. Warner told J. H. the following about the investment opportunity in a trading pool:

a. In order to invest, investors had to have a minimum amount of wealth, but if an investor did not have the minimum amount, the investor could still participate by investing into a trading pool.

b. The money invested for trading would be taken out at the end of the day so that nothing could happen to the money overnight.

c. Warner told J. H. the information contained in paragraph 11 (e) above.

202. Warner talked to J. H. about getting J. H.'s son, C. H., involved in the trading. Warner said he wanted C. H. to be Warner's secretary. Warner told C. H. he could participate in the pool if C. H. wanted.

203. On or about March 21, 2005, J. H. and his son C. H. invested funds into the Strategic Investors' trading pool by giving Warner personal checks for $50,000, and $3,000, respectively.

204. In return for J. H.'s $50,000, Warner gave J. H. a receipt showing Warner had received the money. The receipt appears to have been signed by Warner.

205. Warner also gave J. H. a document, dated April 7, 2005, evidencing that J. H. invested $50,000, C. H. invested $3,000, and Warner invested $10,000. This document guaranteed that, if the pool were to drop below $10,000, Warner would close out the pool, and give J. H. and C. H. their investments back, leaving Warner with the loss.

206. Between April 20 and May 20, 2005, Warner solicited J. H. to purchase another 10% of Strategic Investors. Warner said he had 10% he was looking to sell, and wanted J. H. to

purchase it.

207. On or about May 20, 2005, J. H. agreed to purchase the additional 10% of Strategic Investors, and gave Warner a personal check for $15,000, made payable to Warner.

208. In return for the investment, Warner gave J. H. a receipt for the $15,000, and a certificate of ownership stating that J. H. owned 10% of Strategic Investors. The receipt and certificate are dated May 26, 2005, and appear to have been signed by Warner.

209. On or about September 23, 2005, J. H. transferred $5,000 from his Merrill Lynch account to Warner, to be added to the trading pool.

210. Sometime in October 2005, Warner solicited J. H. to invest money in Warner's new company, Go 2 Investments, LLC.

211. Warner told J. H. that following about the investment in Go 2:

a. Go 2 was a spin-off of Strategic Investors.

b. Warner needed J. H. to invest money in Go 2 for track record purposes.

c. Warner needed to start a trading account in Go 2 and trade the account.

d. If the account were traded profitably, and the account had a history of being traded profitably, Warner could then bring in the public to invest.

e. Only J. H. and Warner would be involved with Go 2 at the time.

f. Investment money in Go 2 would only be used to trade.

212. On or about November 4, 2005, J. H. invested $4,000 in Go 2 by giving Warner a personal check made payable to Go 2.

213. On or about December 2, 2005, J. H. invested an additional $60,000 with Warner and Go 2 by transferring money from his Merrill Lynch account to Warner's bank account.

214. On or about January 2007, Warner gave J. H. a one-page financial statement on Strategic Investors' business activities.

215. About the same time, Warner gave J. H. a statement of account on Go 2 letterhead. The Statement of Account states that J. H. had $3,044.94 in his Go 2 Stock Index Pool account.

216. Beginning in January 2006, Warner started to give J. H. purported statements for his trading accounts in Strategic Investors and Go 2 from a clearinghouse called Peregrine Financial Group. Warner received his last statement in May 2006.

217. On or about March 22, 2006, J. H. invested another $50,000 into the Go 2 account by giving Warner a personal check made payable to Go 2.

218. J. H. has received a total of $4,000 from his investments with Warner. Warner still owes J. H. $210,000.

Investors B. R. 2 & His Brother

219. In June or July 2005, Warner contacted B. R. 2 by telephone and asked him to invest in his company, Strategic Investors. Warner and B. R. 2 decided to meet at a restaurant across from Warner's office to discuss the investment.

220. At the meeting, Warner told B. R. 2 the following about the investment opportunity in Strategic Investors:

a. Warner wanted B. R. 2 to become a part owner of Strategic Investors.

b. Warner and his son were running Strategic Investors, but his son left to work for another business and had given his share of the business to Warner.

c. Warner wanted to bring in four investors to buy his son's 40% of Strategic Investors.

d. All of the owners in Strategic Investors would be listed with the State of Utah as owners, and the owners would get together quarterly to discuss Strategic Investors.

e. Strategic Investors was capitalized by money generated through trades.

f. There was "no risk" and "no chance of losing money."

g. B. R. 2 could get out of the investment at any time, because Warner would find another investor to buy him out.

h. B. R. 2's $15,000 investment would be used for business costs, including the purchase of computer programs, the $5 per trade fee charged by Peregrine Financial Group, and other related business expenses.

i. B. R. 2 would make a profit on his investment by trades made through Peregrine Financial Group.

j. Strategic Investors would make a certain amount of money per trade, and the more trades that were made, the more money Strategic Investors would make.

k. Once a profit was made, the money would be divided up between Strategic Investors' owners based on the percent of the company they owned.

l. The investment was "above table with the State."

m. Warner told B. R. 2 the information contained in paragraph 11 (c) above.

221. Warner gave B. R. 2 a document with estimates of how much money Strategic Investors could make based on the trades. Warner also showed B. R. 2 some financial statements for Strategic Investors, but never gave him a copy.

222. After the initial meeting, B. R. 2 declined to invest.

223. Warner called B. R. 2 the next day and asked him to reconsider the investment.

224. B. R. 2 told Warner he did not want to invest $15,000 of his own funds in Strategic Investors. B. R. 2 said he would talk to his brother about splitting the investment.

225. On or about July 20, 2005, B. R. 2 and his brother invested in Strategic Investors by giving Warner a personal check for $15,000 made payable to Warner. Warner met B. R. 2 and his brother at the brother's business in Weber County, Utah, where Warner picked up the check.

226. In return for the investment Warner gave B. R. 2 and his brother a receipt and a certificate of ownership, both signed by Warner in B. R. 2 and his brother's presence.

227. In October or November 2005, Warner talked to B. R. 2 and his brother about pooling some money and using it to trade. Warner said he would use a computer program that instructed when to make trades.

228. Warner said in practice runs the program had made some money.

229. On or about September 6, 2005, B. R. 2 and his brother each invested $1,000 in the pool.

230. On or about December 31, 2005, Warner gave B. R. 2 a financial statement showing that B. R. 2's $1,000 investment had grown to $1,502.87.

231. On or about January 6, 2006, Warner went to B. R. 2 and his brother's business office and gave them one check for $800. Warner said the $800 was money earned from ownership in Strategic Investors.

232. Warner said Strategic Investors was making a profit in trading, and all owners had received a similar check from Warner.

233. Warner said Strategic Investors would soon be making larger profits and that Warner was going to put some of the profit into an account. From this account, Warner said he would retain some of the money for business expenses, and then distribute the rest to the owners of Strategic Investors.

234. On or about February 28, 2006, Warner gave B. R. 2 another financial statement for his $1,000 investment. The statement shows B. R. 2's investment was worth $1,819.27.

235. In April 2006, Warner brought an $1,800 check to B. R. 2 and his brother's office, and said it was profit from Strategic Investors.

236. B. R. 2 and his brother have received no money since April 2006, and have had no further contact with Warner since June 2006. Warner still owes B. R. 2 and his brother $14,400.

Investor E. C.

237. In January 2006, E. C. spoke to Warner about a possible investment.

238. Warner told E. C. he would set up an account through Peregrine Financial Group in E.

C.'s name. Warner said he would trade the account to make profits. Warner said E. C. would be able to monitor the account on-line.

239. On or about May 2, 2006, E. C. delivered a personal check for $4,000 to Warner at Warner's office in Weber County, Utah. E. C. invested using funds from her savings account, and planned to give any returns she received to her children.

240. In late May or early June 2006, Warner told investor R. J. that E. C.'s Peregrine Financial Group account was doing well and making money.

241. E. C. lost contact with Warner after June 2006, so E. C. contacted Peregrine Financial Group to get her money back, and was told that she had no account at Peregrine Financial Group.

242. To date, E. C. has received no return of her investment funds, and is still owed $4,000.

CAUSES OF ACTION

COUNT I
Securities Fraud under § 61-1-1(2) of the Act
(The Respondents)

243. The Division incorporates and re-alleges paragraphs 1 through 242.

244. The investment contracts, stock, promissory notes, and guarantees offered and sold by Warner to investors are all 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." UTAH ADMIN. CODE R164-13-1(B)(1).

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

a. With respect to Units in SCI:

i. Investors could get their funds back at any time;

ii. Investors would earn $.12 per trade, when, in fact, Warner had no reasonable basis on which to make this representation;

iii. Warner told A. S. his money would only be used to trade grains, when, in fact, Warner used his money to pay personal and business expenses;

iv. Warner told A. S. that Warner would receive no compensation from sales of SCI units, when, in fact, Warner used some of A. S.'s investment funds to pay personal and business expenses;

v. Warner told A. S. that Warner traded accounts for Simplot;

vi. Warner told J. L. there was no risk involved;

vii. Warner told J. L. that Warner had made prior investors millions of dollars;

viii. Warner told A. L. and J. L. he was making returns of as much as 200% per day; and

ix. Warner told D. B. that Warner would purchase units of SCI for himself.

b. With respect to the investment opportunity in Strategic Traders:

i. Warner told R. H. he had created a new day-trading method which was working well;

ii. Warner told R. H. Strategic Traders was making returns of 30% per day;

iii. Warner told R. H. that his investment would make a return of between 10-15%, when, in fact, Warner had no reasonable basis on which to make this representation;

iv. Warner told R. H. he had made a lot of people a lot of money, including himself;

v. Warner told R. H. he could get his money back at any time;

vi. Warner told R. H. that Warner was licensed to trade, when, in fact, at that time, Warner's Commodity Trading Advisor license, Commodity Pool Operator license, and NFA membership, had been withdrawn;

vii. Warner told J. L. that Fidelity Investments wanted Warner to be its main commodities trader;

viii. Warner told one investor he lost the granary in essentially a bad business deal, and told another investor he sold the granary for three million dollars;

ix. Warner told J. L. that Warner wrote a book and developed a system of trading based on "historicals," and that the system was making good returns;

x. Warner told D. B. that Warner would match any amount D. B. invested;

xi. Warner told D. B. he could get his investment back at any time;

xii. Warner told D. B. he needed to get fingerprinted because if anything

happened to Warner, D. B. would need to prove who he was to get his money back.

c. With respect to percentage ownership in Strategic Investors:

i. Investors could get their investment back at any time by selling it to another investor;

ii. Warner told J. H. that Warner had an agreement with Simplot whereby Warner would trade gas futures for Simplot, and in return, Simplot would pay Warner to run Strategic Investors;

iii. Warner told J. H. that Warner was licensed to sell futures, when, in fact, at this time Warner's Commodity Trading Advisor license, Commodity Pool Operator license, and NFA membership, had been withdrawn;

iv. Warner told B. R. 2 and his brother that there was "no risk" and "no chance of losing money;"

v. Warner told B. R. 2 and his brother that the investment was "above table with the State."

d. With respect to Pro Traders' commodity trading and pooling:

i. Investors could get their money back at any time;

ii. Warner told A. S. that Warner had figured out a way to beat the trading system;

iii. Warner told A. S. that Warner put $10,000 of his own money into the

trading account;

iv. Warner told D. B. 2 that the pooled money would be traded through an account at Man Financial;

v. Warner told D. B. 2 that investors would be able to make money in the commodities market;

vi. Warner told D. B. 2 that Warner was licensed to sell securities, when, in fact, Warner has never been licensed to sell securities.

e. With respect to commodities trading through KLW:

i. Investors could get their investment back at any time;

ii. Warner would invest $10,000 of his own money into the pool;

iii. Warner told J. L., A. L. and L. L. their money would be traded using a system that was working well;

iv. Warner told J. H. that to invest, he had to have a minimum amount of wealth, but if he did not have that minimum amount, he could still participate by investing in a pool.

f. With respect to the investment opportunity in Go 2:

i. Warner told D. B. that Warner had hired an accountant to help him manage the investment accounts;

ii. Warner told D. B. that Go 2 was in the business of foreign exchange trading;

iii. Warner told D. B. he could get his money back at any time;

iv. Warner told J. H. that he needed J. H. to invest for track record purposes, and if Warner traded the account successfully for a period of time, he could bring in the public to invest.

246. In connection with the offer and sale of securities to investors, Respondents failed to disclose material information, including, but not limited to, the following, which was necessary in order to make representations made not misleading:

a. Warner failed to tell R. H., B. R. 2 & his brother, J. H., D. B., and E. C., that Warner filed bankruptcy on May 27, 2005.

b. Warner failed to tell D. B., B. R., R. H., J. H., R. H., B. R. 2 & his brother, and E. C., that prior investors were loaning money to Warner so he could avoid bank fees for bounced checks, and that prior investors were taking steps such as freezing their trading accounts, and retaining attorneys, to recover funds they invested with Warner.

c. Warner failed to tell A. L. and L. L., J. R. J., D. B., A. S., and D. B. 2, that he had an unpaid tax lien against him in the amount of $1,409.

d. Warner failed to tell investors that Warner had an unpaid civil judgement against him in the amount of $3,398 from RC Willey.

e. Warner failed to tell investors that IHC had filed a civil action against him for debt collection.

f. Warner failed to tell D. B., B. R., R. H., J. H., B. R. 2 & his brother, and E. C. that he had an unpaid civil judgement against him of $3,119 from Zions Bank.

g. Warner failed to tell J. H., R. H., B. R. 2 & his brother, D. B., and E. C. that he had an unpaid tax lien against him in the amount of $1,341.

h. Warner failed to tell J. R. J., A. L. and L. L., R. J., D. B., B. R., D. B. 2, B. R. 2 and his brother, and E. C., that Warner was no longer a member of the NFA, no longer a Commodity Trading Advisor, or a Commodity Pool Operator.

i. Some or all of the information typically provided in an offering circular or prospectus regarding SCI Partners LLC, Strategic Investors LLC, Kevin L. Warner, LLC, Pro Traders Club LLC, Strategic Traders LLC, and Go 2 Investments LLC (collectively, Warner's Entities), such as:

    i. The business and operating history for Warner's Entities;

    ii. Identities of the principals for Warner's Entities, along with their experience in the relevant area of business;

    iii. Financial statements for Warner's Entities;

    iv. The market for Warner's Entities' product(s);

    v. The nature of the competition for the product(s);

    vi. The current capitalization for Warner's Entities;

    vii. A description of how the investment would be used by Warner's Entities;

    viii. The track record of Warner's Entities to investors;

ix. Risk factors for investors;

x. The number of other investors;

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

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

xiii. The liquidity of the investment;

xiv. Discussion of pertinent suitability factors for the investment;

xv. The proposed use of the investment proceeds;

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

xvii. Agent commissions or compensation for selling the investment;

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

xix. Whether the person selling the investment is licensed.

247. Based upon the foregoing, the Respondents violated § 61-1-1 of the Act.

COUNT II
Securities Fraud (Fraudulent Practices) under § 61-1-1(3) of the Act
(Kevin L. Warner)

248. The Division incorporates and re-alleges paragraphs 1 through 242.

249. Warner engaged in acts, practices, or courses of business that operate or would operate as a fraud or deceit on investors, including, but not limited to, the following:

a. Sending at least one investor falsified account statements which represented that the investor's investment was doing better than it actually was;

b. Making small payments to investors after they invested, sometimes using money from different investors, to gain the investor's confidence and obtain additional investments, despite the fact that Warner's investment opportunities were not generating a return;

c. Giving one investor a post-dated check in return for an interest bearing loan, and then failing to maintain enough money in the bank to cover the check; and

d. Telling one investor that Warner's trading system was doing well and was making a good return, but that he could not show the investor evidence of the successful trading because it would reveal traders names in violation of the National Futures Association rules.

250. Based on the foregoing, Kevin L. Warner violated § 61-1-1(3) of the Act.

ORDER

The Director, pursuant to § 61-1-20 of the Act, hereby orders the Respondent 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, October 15, 2007, at 1:00 p.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 the Respondent fails to file an answer and appear at the hearing, the Division of Securities may hold Respondent

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, the Respondent may show cause, if any they have:

a. Why SCI, Strategic Traders, Strategic Investors, Pro Traders, Go 2, and Kevin L. Warner should not be found to have engaged in the violations alleged by the Division in this Order to Show Cause;

b. Why SCI, Strategic Traders, Strategic Investors, Pro Traders, Go 2, and Kevin L. Warner 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 SCI should not be ordered to pay a fine of one hundred and ten thousand dollars ($110,000) to the Division of Securities;

d. Why Strategic Traders should not be ordered to pay a fine of fifty five thousand dollars ($55,000) to the Division of Securities;

e. Why Strategic Investors should not be ordered to pay a fine of one hundred twenty five thousand dollars ($125,000) to the Division of Securities;

f. Why Pro Traders should not be ordered to pay a fine of fifty five thousand dollars ($55,000) to the Division of Securities;

g. Why Go 2 should not be ordered to pay a fine of one hundred forty thousand dollars ($140,000) to the Division of Securities;

h. Why KLW should not be ordered to pay a fine of fifty five thousand dollars ($55,000) to the Division of Securities;

i. Why Kevin L. Warner should not be ordered to pay a fine of five hundred thousand dollars ($500,000) to the Division of Securities.

DATED this 10TH day of September, 2007.

WAYNE KLEIN
Director, Utah Division of Securities

Approved:

JEFF BUCKNER
Assistant Attorney General

J. N.

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

IN THE MATTER OF:	**NOTICE OF AGENCY ACTION**
SCI PARTNERS, LLC	**Docket No.** SD-07-0059
STRATEGIC TRADERS LLC	**Docket No.** SD-07-0060
STRATEGIC INVESTORS LLC	**Docket No.** SD-07-0061
PRO TRADERS CLUB LLC	**Docket No.** SD-07-0062
GO 2 INVESTMENTS LLC	**Docket No.** SD-07-0063
KEVIN L. WARNER, LLC	**Docket No.** SD-07-0064
KEVIN L. WARNER	**Docket No.** SD-07-0065
Respondents.	

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:

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

A copy to:

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 Monday, October 15, 2007, at 1:00 p.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 10th day of September, 2007.

Wayne Klein

WAYNE KLEIN
Director, Division of Securities
Utah Department of Commerce

Certificate of Mailing

I certify that on the 10TH day of September, 2007, I mailed, by certified mail, a true and correct copy of the Order to Show Cause and Notice of Agency Action to:

Kevin L. Warner
4322 W. 800 N.
West Point, UT 84015

Certified Mail # 7005 1820 0003 7190 3180

Strategic Investors LLC
C/O registered agent: Randy Keith Johnson
3632 S. 5500 W.
Hooper, UT 84315

Certified Mail # 7005 1820 0003 7190 6038

Pro Traders Club LLC
C/O registered agent: Nicholas Edward Smith
4510 Sunset Circle
Bountiful, UT 84010

Certified Mail # 7005 1820 0003 7191 3197

Kevin L. Warner, LLC
C/O registered agent: Robert D. Payne
1780 N. Hwy 38
Brigham City, UT 84302

Certified Mail # 7005 1820 0003 7191 3203

PAMALA RADZINSKI
Executive Secretary

RECEIVED
SEP 1 0 2007
Utah Div. Of Corp. & Comm. Code

Certificate of Hand Delivery

I certify that on the 10TH day of September, 2007, I hand delivered a true and correct copy of the Order to Show Cause and Notice of Agency Action to:

SCI Partners, LLC
Strategic Traders LLC
Go 2 Investments LLC
C/O registered agent: Utah Division of Corporations
160 E. 300 So.
Salt Lake City, UT 84114

Pamela Radzinski
Executive Secretary