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Department of Justice

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District of Utah

FOR IMMEDIATE RELEASE

Wednesday, May 8, 2019

Grand Jury Returns Indictment Charging Three In Connection With Fraudulent Silver Trading Program

SALT LAKE CITY -- A federal grand jury in Salt Lake City returned a six-count indictment Wednesday afternoon charging three individuals in connection with an alleged scheme to defraud investors by inducing them to purchase investments in a fraudulent silver trading program.

The silver trading program was offered and sold to at least 500 investors throughout the United States and the defendants collected approximately \$200 million.

Charged in the indictment are Gaylen Dean Rust, age 59, and Denise Gunderson Rust, age 59, both of Layton, and Joshua Daniel Rust, age 37, of Draper.

Announcing the indictment are U.S. Attorney for Utah John W. Huber, FBI Special Agent in Charge Paul Haertel of the FBI's Salt Lake Field Office; Francine A. Giani, Executive Director of the Utah Department of Commerce, and Thomas A. Brady, Director of the Division of Securities.

Gaylen Rust owned and managed Rust Rare Coin, Inc. (RRC), R Legacy Entertainment LLC, R Legacy Racing Inc., R Legacy Investments LLC, R Legacy Ranch, and Legacy Music Alliance. Denise Rust was listed as the secretary of RRC and had signatory authority on several RRC bank accounts. Joshua Rust was manager of RRC from 2004 to Nov. 15, 2018. He also had signatory authority on several RRC bank accounts and managed the day-to-day operations of the RRC coin shop.

All three defendants are charged with wire fraud conspiracy in the first count of the indictment and money laundering conspiracy in the second count. Gaylen Rust is also charged with two counts of securities fraud. Denise Rust and Joshua Rust are each charged with one count of money laundering.

The indictment alleges that from around 1996 and continuing to Nov. 15, 2018, the defendants conspired to defraud investors and potential investors by offering and inducing them to purchase investments in a silver trading program. According to the indictment, Gaylen Rust, who offered and sold investments in the program, made false and fraudulent statements regarding his scheme, both directly and indirectly, to investors and potential investors through various means including meetings, phone calls, mailings, and emails.

The indictment alleges the defendants failed to disclose to investors, among other things, that investor funds would be used for purposes other than to invest in silver and trading silver; that Gaylen Rust was not licensed to sell securities, trade commodities or operate a commodity pool; that investor funds were being laundered through transfers in and out of the defendants' personal accounts; and that investment account statements provided to investors were false and not based on actual silver trades.

In order to convince investors that their investments were profitable and to convince potential investors that the silver program was earning money, the defendants operated the trading program as a Ponzi scheme. The defendants used investment money from later investors to pay the promised returns to earlier investors, creating the false impression that the silver trading program was profitable, the investments were safe and secure, and that the promised returns were being generated. Ponzi payments of approximately \$150 million were made to investors, representing those payments as profits from the operation of the silver trading program.

A summons will be issued to each defendant to appear on the charges in the indictment. The potential maximum penalties for wire fraud conspiracy, securities fraud and money laundering conspiracy are up to 20 years in federal prison per count. Money laundering conspiracy carries a potential penalty of 20 years. Securities fraud has a 20-year maximum sentence and money laundering has a potential 10-year sentence.

Indictments are not findings of guilt. Individuals charged in indictments are presumed innocent unless or until proven guilty in court.

Assistant U.S. Attorneys in Salt Lake City are prosecuting the case. Securities Investigator Elizabeth Blaylock of the Utah Division of Securities and Special Agents Jason Henrikson and James Malpede of the FBI are investigating the case along with agents on the FBI's White Collar Task Force, including Special Agent Jeff Kirkwood of IRS-Criminal Investigation. Related civil cases have been filed by the Securities Exchange Commission, the Commodity Futures Trading Commission, and the Utah Attorney General's Office.

Topic(s):

Securities, Commodities, & Investment Fraud

Component(s):

USAO - Utah

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