

Precious Metal Coin Dealers Lawsuit Doubles Plaintiffs

By Jon A. Nones
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St. LOUIS (ResourceInvestor.com) -- [Last month](#), 15 consumers from 10 states launched a \$500-million lawsuit against a group of Texas coin dealers for fraud and deceptive trade practices. This month, the number of plaintiffs is set to double with the claim amount moving closer to \$1 billion.

Attorney Jason A. Gibson of The Gibson Law Firm in Houston told *RI* that after the news hit the wire, he's received calls from across the country with complaints about the defendants.

"Since the news broke, I have signed up an additional 15 clients or so who invested at least another \$5 million with the companies in Beaumont," he said. "I'm amending my petition this week or early next week to include the additional plaintiffs."

In the case filed in state court in Beaumont, Texas, O'Neill, et al., v. 1st Capital Reserve, L.P., et al., 21 affiliated companies are accused of using high-pressure, unlawful telemarketing tactics to convince its customers to purchase gold, platinum and silver coins of "dubious worth and origin."

Universal Coin & Bullion, Ltd., 1st American Reserve, 1st Capital Reserve, 1st Fidelity Reserve and 1st National Reserve, among others, which compound and gross an estimated \$300 million annually, are accused of making unauthorized charges to credit cards, sending unordered coins to customers, fabricating information about the origin and current and likely future value of coins and not honouring return guarantees.

The suit alleges that senior citizens are targeted and persuaded to access retirement savings, obtain home equity loans or liquidate assets such as stocks, bonds or real estate. Gibson said the coin companies function like telemarketers, buying lists of numbers and making thousands of cold calls a day to the elderly.

The original 15 plaintiffs, who claim they spent \$3.4 million on coins marketed by the defendants, are seeking actual and exemplary damages of \$500 million, including trebling of damages allowed under the Texas Deceptive Trade Practices Act.

"I have coin dealers around the country and financial advisors around the country who have heard the news and who are referring their customers to me," Gibson said. "Again, many of them are elderly, and each story is the same."

Gibson said he has spoken to six former employees, confirming that the companies encourage sales persons to use unlawful and misleading selling tactics, obtain credit card numbers and charge customers' cards without permission, mislead customers about the mark-up of each coin being sold, use the illegal "bait and switch" technique to sell customers more expensive coins and falsely represent and market themselves as different companies.

According to Gibson, the Beaumont companies tell their customers the coins have appreciated above the purchase price, which keeps them content "until they discover they have been scammed."

"I have clients who pushed and were given written values of their coins by the companies, only to find out the numbers were bogus and extremely inflated," he said.

Gibson said that at least half of his original 15 clients filed complaints with the companies and with the Texas attorney general or the attorney general from the state where they reside.

The coin companies answered the lawsuit on Friday of last week. In a [press release](#), Universal Coin & Bullion (UCB) and other companies deny "the nonsense allegations in the lawsuit."

UCB said it and the other companies do not target the elderly as potential customers, make "cold calls" to solicit business, use high pressure sales tactics nor charge customers' cards without permission. In addition, the companies extend a 10-day, no obligation return policy.

Michael Fuljenz, President of UCB, called the allegations "utterly ridiculous" and "filled with errors of fact."

"We've been in business over 17 years with literally tens of thousands of satisfied customers, and we intend to vigorously fight this malicious and grossly overvalued lawsuit," he said.

According to the release, the UCB is not aware of any customers named in this suit that have communicated any unresolved complaints to management prior to filing the lawsuit. In fact, several of the people named as plaintiffs have not purchased coins from any of the companies in six years or more.

Bruce M. Partain, legal counsel for UCB from Wells, Peyton, Greenberg & Hunt, L.L.P, told *R/* one of the plaintiffs is a former securities advisor, who obviously had prior knowledge of the industry.

"When you buy a rare coin as an investment, you must know that its value might increase or decrease," Partain said.

In the press release, Fuljenz said, "Our companies are the victims of predatory and retaliatory litigation by two former employees who are being investigated for misuse of confidential client information. One of those former employees was fired by us in February 2006."

Bruce told *R/* that Gibson had represented two former employees in another case involving the company's non-competitive agreement. He said Gibson is citing depositions from his previous case.

Partain attacked Gibson's methods, saying he used the press to fire up the case instead of contacting the company directly about the lawsuit. He said the company had never received any complaints from the plaintiffs prior.

Fuljenz also attacked Gibson, alleging that his law firm is looking for new sources of revenue because "their earlier lawsuits against the asbestos industry are ending," recommending customers to "research the employment history of the plaintiffs' attorney."

Partain said Gibson had a dispute with his former partner at Smith Gibson, where legal action was taken from both parties, without going into much detail.

Gibson responded to the personal attack, telling *R/* he's never handled an asbestos case, and the litigation with his previous employer had no relevance to the current proceedings and was merely a result of the firm breaking up.

Partain said Gibson lumped all the companies as one to pull in more money in the lawsuit. He said the companies might operate in the same office building but are different entities.

But on 29 January 2007, Mike Fuljenz and Universal Coin & Bullion [purchased](#) 1st Capital Reserve. Furthermore, UCB's press release refers to "UCB and other companies."

Neal R. Ryan, vice president and director of Economic Research for [Blanchard & Company, Inc.](#), the largest dealer of retail bullion and rare coins in the U.S., said he understood the group to be one company, Universal, and the rest subsidiaries, "so it's not as if they are a dozen separate companies involved in the same business activities."

"I don't know a whole lot about it, but it certainly puts everyone that has built up a reputation for good business practices over decades in a bad light," he added.

Ryan warned that a person needs to take time with any investment, and research who they're dealing with, not just what they're being offered. Blanchard has been in business for 30 years, building its reputation on "how we conduct business with clients," he said.

"Without that, you don't have much in this business," Ryan added.

An unnamed industry consultant with 30 years of experience in the marketplace told *RI* that companies aggressively offering "so-called rare coins" to consumers by using the story of the fundamentals of the current gold market or fear tactics like government confiscation are engaging in something far less than beneficial to the bullion consumer.

"At the end of the day, if one buys a coin that has some romantic story attached to it and pays something like \$1,000 or more per ounce for the gold contained therein, they are really paying mostly for the story, and they not only have a very distant break-even horizon but probably will not make money on that coin no matter what happens to gold itself," he said.

The source said he had nothing against people collecting coins they believe to have potential value, but he added that buying gold coins should not to be considered investing in gold.

"While there are probably reputable firms out there making rare coins available to end-buyers, I would personally not wish to be contacted by anyone wanting to clue me in on some 'exclusive offer,'" he said.

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