

Division of Securities  
Utah Department of Commerce  
160 East 300 South, 2<sup>nd</sup> 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:**

**PACIFIC LENDING, LLC  
PACIFIC LENDING GROUP, INC.  
PACIFIC AARON GUZMAN**

**Respondents.**

**ORDER TO SHOW CAUSE**

Docket No. SD-08-0015  
Docket No. SD-08-0016  
Docket No. SD-08-0017

---

It appears to the Director for the Utah Division of Securities (Director) that Pacific Lending, LLC, Pacific Lending Group, Inc., and Pacific Aaron Guzman 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 the Respondents violated §§ 61-1-1 (securities fraud), 61-1-3 (sale

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

### **STATEMENT OF FACTS**

#### **THE RESPONDENTS**

2. Pacific Lending, LLC (Pacific Lending) was registered as a Colorado limited liability company on January 17, 2006, but its current corporate status is “delinquent” as of April 1, 2007. Pacific Aaron Guzman is the president and registered agent for Pacific Lending.
3. Pacific Lending Group, Inc. (PLGI) was registered as a Utah corporation on September 21, 2006, and its current corporate status is “delinquent” as of October 25, 2007. Pacific Aaron Guzman is the president and registered agent for PLGI. According to PLGI’s website, which expired in August 2007, PLGI is “the largest investment banking firm that provides capital and financial services for all Commercial Real Estate Financing Worldwide.” The website also claimed that PLGI could secure loans for a wide variety of commercial projects.
4. Pacific Aaron Guzman (Guzman) resides in Washington County, Utah.

#### **GENERAL ALLEGATIONS**

5. Between July 2006 and February 2007, Pacific Lending, PLGI, and Guzman collected a total of \$167,500 in “advance fees” from seven investors.
6. Guzman told investors that in exchange for an advance fee, Pacific Lending could secure funding for almost any commercial venture.

7. Investors were asked to enter into an agreement with Pacific Lending which outlined the nature of the investor's project and the requested financing. The agreement also required the investor to pay an advance fee, purportedly to cover Pacific Lending's costs of performing the necessary due diligence to secure funding for the project. Investors were told that a portion, typically half, of the advance fee would be refunded at the closing of the loan.
8. None of the investors received a refund of their advance fee, nor did they received the promised funding.

#### Investor BH

9. In the spring of 2006, BH was looking for funding for a residential development. A mortgage lender recommended that BH talk to Pacific Lending and Guzman and said Guzman was very successful at securing commercial loans.
10. Shortly thereafter, BH, who resided in Utah, received a telephone call from Guzman who was in Pennsylvania at the time. During their conversation, they discussed the terms of an agreement whereby Pacific Lending would obtain funding for BH.
11. On July 18, 2006, BH executed an agreement with Pacific Lending and Guzman, in which Guzman committed to securing a commercial loan for BH within 45-60 days, in return for an advance fee of \$75,000.
12. Prior to accepting BH's money, Guzman failed to tell BH about his criminal history, bankruptcy filings, and civil judgments.

13. After the expected funding date had expired, BH received nothing but excuses about the delay in funding.
14. Guzman told BH he needed more money to complete the due diligence, and BH paid Guzman approximately \$10,000 more.
15. BH has since requested that Guzman refund his advance fees, but has received nothing.
16. The Respondents still owe BH at least \$85,000.

Investor JH

17. In August 2006, JH was seeking funding to produce a movie. JH contacted a broker (Steve), who referred her to PLGI and Guzman.
18. After JH contacted Guzman to express interest in obtaining funding through PLGI, she participated in several conference telephone calls with Steve and Guzman. During the telephone conversations, JH and Steve were in Hawaii, and Guzman was in Utah.
19. Guzman told JH he could secure a loan of \$66 million for her production company.
20. Guzman told JH there was a \$10,000 advance fee to pay for the necessary due diligence, but \$7,500 would be refunded when the loan funded. Guzman told JH this would be the only fee.
21. Guzman told JH that once the agreement was signed and the advance fee was paid, a commitment to fund would take 20 to 45 days.
22. In early September, 2006, JH received a telephone call from David Garcia of the

Remington Financial Group, Inc.<sup>1</sup> (Remington), who told JH that PLGI and Remington were merging, and Remington would be the underwriter on her loan.

23. On or about September 20, 2006, JH signed the agreement with PLGI and Remington and mailed it, along with a check for \$10,000, to Guzman at his address in Sandy, Utah.
24. Guzman failed to tell JH about his criminal history, bankruptcy filings, civil judgments, and that he had already failed to fund one investor's loan and failed to return his advance fees.
25. After mailing the agreement and advance fee, JH received a telephone call from Debbie Duva, an underwriter for Remington. Duva told JH there were advance fees of \$15,000 still owing before JH's loan could be processed.
26. JH immediately telephoned Guzman and asked why she was being charged additional fees.
27. Guzman became verbally abusive with JH, screaming and using foul language, and told her "you have to spend money to make money."
28. JH last spoke to Guzman over the telephone on November 6, 2007. Guzman was again verbally abusive.
29. JH has asked Guzman to refund her money, but she has received nothing, and the Respondents still owe her \$10,000.

---

<sup>1</sup> Remington Financial Group, Inc. later backed out of the merger with Pacific Lending.

Investor JJ

30. Investor JJ and his company wanted to build a hotel in Hawaii and needed funding for the project.
31. Through several different contacts, JJ was eventually put in touch with PLGI and Guzman in Utah.
32. In September, 2006, after several telephone calls between JJ in Hawaii, and Guzman in Utah, Guzman sent JJ a Term Sheet, which specified the details of their agreement.
33. According to the Term Sheet, in return for an advance “due diligence” fee of \$7,500 from JJ, Guzman and PLGI would obtain funding for JJ in the amount of \$12 million.
34. On or about September 27, 2006, JJ signed the agreement and sent \$7,500, via wire transfer, to Pacific Lending’s bank account.
35. JJ also provided all of the documentation requested by Guzman, such as credit reports, plans, and appraisals.
36. Guzman failed to tell JJ about his criminal history, bankruptcy filings, civil judgments, and that he had already failed to fund at least two investors’ loans and failed to return their advance fees.
37. After signing the agreement with Guzman, JJ submitted his bid for the property on which he was going to build the hotel.
38. The seller asked JJ to provide evidence that funding was available for the project.
39. JJ asked Guzman to send some documentation of the funding to the seller, and Guzman

failed to do so. As a result, JJ lost the bid for the property, and had to scrap the project.

40. JJ asked Guzman to refund his fee, but has received nothing.

41. The Respondents still owes JJ \$7,500.

#### Investor CF

42. On or about October 17, 2006, CF entered into an agreement with Guzman and his company PLGI, whereby PLGI would perform due diligence on a piece of commercial property in Idaho Falls owned by CF. PLGI agreed to do a survey of the property, appraise the property, and perform other activities necessary for the property to qualify for a loan.

43. The advance fee for the due diligence was \$25,000, which CL paid to Pacific Lending's bank account on October 17, 2006, via check.

44. Prior to accepting CF's money, Guzman failed to tell CF about his criminal history, bankruptcy filings, civil judgments, and that he had already failed to fund at least three prior investor's loans and failed to return their advance fees.

45. After CF paid Pacific Lending the advance fee, CF maintained frequent contact with Guzman, and discovered that Guzman was doing nothing toward performing the due diligence specified in the agreement.

46. CF has asked Guzman to refund his money, but Guzman has yet to do so.

47. The Respondents still owe CF \$25,000.

Investor GR

48. In January, 2007, GR, the president of a construction company in Corona, California, was seeking funding to build a development in Victorville, California.
49. GR contacted JCB at Kokopelli Mortgage for this purpose, and JCB referred GR to PLGI and Guzman in Utah.
50. GR, working through JCB, entered into an agreement with PLGI. Pursuant to the terms of the agreement, for an advance fee of \$10,000, PLGI would perform the necessary due diligence to provide a loan commitment to GR of \$6.9 million.
51. On January 24, 2007, GR signed the agreement and sent the \$10,000 to Pacific Lending's bank account, via wire transfer.
52. Prior to accepting GR's money, Guzman failed to tell GR about his criminal history, bankruptcy filings, civil judgments, and that he had already failed to fund at least four prior investor's loan and failed to return their advance fees.
53. According to the agreement, the loan would fund in 35-45 days from the execution of the Letter of Intent.
54. After signing the agreement, paying the advance fee, and providing PLGI with all the requested documents, GR heard nothing more from PLGI or Guzman.
55. After 45 days had expired, GR contacted JCB, who contacted Guzman.
56. Guzman could not provide a plausible explanation as to why the loan had not been secured, and GR requested his money back, again through JCB.

57. GR has received nothing from Guzman and PLGI, and the Respondents still owe GR \$10,000.

Investor FG

58. In late 2006, FG, in Phoenix, Arizona, had a commercial project in Mexico for which he was seeking a loan in the amount of \$2.8 million.

59. FG went to JCB at Kokopelli Mortgage seeking funding, and JCB referred him to PLGI and Guzman in Utah.

60. Guzman provided FG with a list of information PLGI would need to process FG's loan. Guzman told FG he had to pay a \$20,000 advance fee to cover the necessary due diligence for securing the loan.

61. In return, FG received an agreement from PLGI, which FG signed on February 21, 2007.

62. On or about February 26, 2007, FG provided all the requested information to Guzman, and sent \$20,000, via wire transfer, to Pacific Lending's bank account.

63. Prior to accepting FG's money, Guzman failed to tell FG about his criminal history, bankruptcy filings, civil judgments, and that he had already failed to obtain funding for at least five prior investors, and failed to return their advance fees.

64. After signing the agreement and sending the advance fee, FG heard nothing from Guzman for several weeks. No one from PLGI would return FG's or JCB's telephone calls.

65. In May 2007, with still no word from Guzman or PLGI, JCB was able to set up a

conference call between himself, FG, and Guzman. Guzman claimed he was still working on securing FG's loan, but provided no specific details about what he had accomplished thus far.

66. Shortly after this conference call, when FG and JCB called PLGI's telephone number, a recorded message said incoming calls were not being accepted.
67. In October 2007, after receiving no word from Guzman or PLGI since their telephone conference, FG's attorney wrote a letter to Guzman requesting the return of FG's money. Guzman did not respond.
68. As a result of receiving no funding, FG had to scrap his project in Mexico.
69. The Respondents still owe FG \$20,000.

#### Investor SH

70. In January or February 2007, SH was seeking funding to purchase a residential care facility in Springfield, Oregon.
71. SH's brokers located PLGI and Guzman in Utah, to secure the necessary funding, because they offered the most flexible and best rates for the funding SH was seeking.
72. In February 2007, SH, her husband, SH's real estate broker, SH's mortgage broker, and Pacific Guzman had a conference call to discuss the terms for obtaining funding.
73. During the conference call SH asked Guzman if there were any up-front fees. Guzman said no.
74. When SH received an agreement from Guzman, which included a \$10,000 due diligence

- fee, she consulted her real estate broker. The real estate broker did some checking and determined that due diligence fees are common for commercial loans.
75. On February 23, 2007, SH signed the agreement and sent the \$10,000 fee to Pacific Lending's bank account, via wire transfer.
  76. Prior to accepting SH's money, Guzman failed to tell SH about his criminal history, bankruptcy filings, civil judgments, and that he had already failed to obtain funding for at least six prior investors, and failed to return their advance fees.
  77. After SH signed the agreement and paid the advance fee, SH was not able to contact Guzman.
  78. SH mainly corresponded with Guzman by e-mail to document the conversation and the transaction. Most of SH's e-mails went unanswered.
  79. The agreement specified that the loan would close in 45 to 60 days. After 60 days, when SH had heard nothing about closing, she called and talked to Pacific Guzman.
  80. SH asked Guzman why the loan had not closed within the time frame included in the agreement. Guzman became very upset and stated that there was a provision in fine print in the agreement which gave PLGI an additional 45 to 60 days if there were any problems. When SH later examined the agreement, she found no such provision.
  81. SH concluded the conversation by telling Guzman she wanted to cancel the agreement and get 50% of her fee back, as specified therein. Guzman responded that the agreement gave him 45 to 60 days to refund the fee. When SH later examined the agreement, she

found no such provision.

82. SH has not received the refund of her money, and the Respondents still owe her \$10,000.

Use of Investor Funds or “Advance Fees”

83. Guzman maintained three bank accounts (Account 1, Account 2, and Account 3) at Key Bank in Utah, all in the name of Pacific Lending.
84. All advance fees collected from investors ended up in Account 3, typically after first being deposited into Account 1 or Account 2.
85. Guzman used Account 3 to pay personal expenses. Guzman purchased items at furniture stores in Utah including RC Willey and the Mattress Furniture Outlet. Guzman paid for meals at various restaurants including the Market Street Oyster Bar, Applebee’s, and Village Inn. Guzman spent money at department stores including Nordstrom Rack and Dillards. Guzman also paid mortgage payments, paid for childcare, paid dental bills, purchased airline tickets and jewelry using investor funds.

**CAUSES OF ACTION**

**COUNT I**

**Securities Fraud under § 61-1-1(2) of the Act  
(Pacific Lending, PLGI, and Pacific Aaron Guzman)**

86. The Division incorporates and re-alleges paragraphs 1 through 85.
87. The agreements offered and sold by Pacific Lending, PLGI, and Guzman fall within the definition of a security under § 61-1-13(1)(x)(i)(F) (evidence of indebtedness) of the Act, because Pacific Lending, PLGI, and Guzman sold the agreements to investors for

substantial consideration, and investors received what appeared to be an enforceable obligation which contemplated the flow of funds. *See United States v. Austin*, 462 F.2d 724, 736 (10<sup>th</sup> Cir. 1972).

88. In connection with the offer and sale of securities to investors, Pacific Lending, PLGI, and Guzman, directly or indirectly, made false statements, including, but not limited to, the following:

- a. Guzman would secure a commercial loan for the investor, when in fact, he made no effort to do so;
- b. The required advance fee was to cover the cost of due diligence necessary to secure a commercial loan, when in fact, Guzman used the funds for personal expenses; and
- c. Pacific Lending was a commercial lender, when in fact, the company had no funds to lend.

89. In connection with the offer and sale of securities to investors, Pacific Lending, PLGI, and Guzman, directly or indirectly, failed to disclose material information, including, but not limited to, the following, which was necessary in order to make representations made not misleading:

- a. Guzman filed for bankruptcy twice in Arizona in 2002, and once in Colorado in 2006;
- b. Guzman was convicted of writing bad checks (Insufficient Funds Checks) in San

Joaquin, California in 1992;

- c. Guzman was convicted of Obtaining Money Under False Pretenses in Reno, Nevada in 1998;
- d. With respect to all investors, except BH, that Guzman failed to fund BH (and other investors) within the time frame specified and failed to refund any portion of the advance fee;
- e. Some or all of the information typically provided in an offering circular or prospectus regarding Pacific Lending and PLGI, such as:
  - i. The business and operating history for Pacific Lending and PLGI;
  - ii. Identities of the principals for Pacific Lending and PLGI, along with their experience with obtaining funding for commercial projects;
  - iii. Financial statements for Pacific Lending and PLGI;
  - iv. The market for Pacific Lending's and PLGI's service(s);
  - v. The nature of the competition for the service(s);
  - vi. The current capitalization for Pacific Lending and PLGI;
  - vii. The track record of Pacific Lending and PLGI to investors;
  - viii. Risk factors for investors;
  - ix. The minimum capitalization needed to participate in the investment;
  - x. The disposition of any investments received if the minimum capitalization were not achieved;

- xi. Discussion of pertinent suitability factors for the investment;
- xii. The proposed use of the investment proceeds;
- xiii. Any conflicts of interest the issuer, the principals, or the agents may have with regard to the investment;
- xiv. Agent commissions or compensation for selling the investment;
- xv. Whether the investment is a registered security or exempt from registration; and
- xvi. Whether the person selling the investment is licensed.

90. Based upon the foregoing, Pacific Lending, PLGI, and Guzman violated § 61-1-1 of the Act.

**COUNT II**  
**Fraudulent Practices under § 61-1-1(3) of the Act**  
**(Pacific Aaron Guzman)**

91. The Division incorporates and re-alleges paragraphs 1 through 90.

92. Pacific Aaron Guzman 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, continuing to take money from investors after Guzman knew that Pacific Lending and PLGI had failed to provide funding or a refund of the advance fees to as many as five prior investors.

93. Based upon the foregoing, Guzman violated § 61-1-1(3) of the Act.

**COUNT III**  
**Sale by Unlicensed Agent under § 61-1-3(1) of the Act**  
**(Pacific Aaron Guzman)**

94. The Division incorporates and re-alleges paragraphs 1 through 93.
95. Guzman offered or sold securities in Utah.
96. When offering and selling securities on behalf of Pacific Lending and PLGI, Guzman was acting as an agent of an issuer.
97. Guzman has never been licensed to sell securities in Utah as an agent of these issuers, or any other issuer.
98. Based on the above information, Guzman violated § 61-1-3(1) of the Act.

**COUNT IV**  
**Sale of Unregistered Securities under § 61-1-7 of the Act**  
**(Pacific Lending, PLGI, and Pacific Aaron Guzman)**

99. The Division incorporates and re-alleges paragraphs 1 through 98.
100. Pacific Lending, PLGI, and Guzman offered and sold securities in or from this state.
101. The securities offered and sold by Pacific Lending, PLGI, and Guzman were not registered under the Act, and Respondents did not file any claim of exemption relating to the securities.
102. Based upon the foregoing, Pacific Lending, PLGI, and Guzman violated § 61-1-7 of the Act.

**ORDER**

The Director, pursuant to § 61-1-20 of the Act, hereby orders the Respondents to appear

at a formal hearing to be conducted in accordance with Utah Code Ann. §§ 63-46b-4 and 63-46b-6 through -10, and held before the Utah Division of Securities. The hearing will occur on March 18th, 2008, at 11:00 a.m., at the office of the Utah Division of Securities, located in the Heber Wells Building, 160 East 300 South, 2<sup>nd</sup> Floor, Salt Lake City, Utah. The purpose of the hearing is to establish a scheduling order and address any preliminary matters. If the Respondents fail to file an answer and appear at the hearing, the Division of Securities may hold Respondents in default, and a fine may be imposed in accordance with Utah Code Ann. § 63-46b-11. In lieu of default, the Division may decide to proceed with the hearing under § 63-46b-10. At the hearing, the Respondents may show cause, if any they have:

- a. Why Pacific Lending, LLC, Pacific Lending Group, Inc. and Pacific Aaron Guzman should not be found to have engaged in the violations alleged by the Division in this Order to Show Cause;
- b. Why Pacific Lending, LLC, Pacific Lending Group, Inc. and Pacific Aaron Guzman 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 Pacific Lending, LLC, should not be ordered to should not be ordered to pay a fine of two hundred fifty thousand dollars (\$250,000) to the Division of Securities, which may be reduced by restitution paid to the victims;
- d. Why Pacific Lending Group, Inc. should not be ordered to pay a fine of two hundred fifty thousand dollars (\$250,000) to the Division of Securities, which

may be reduced by restitution paid to the victims; and

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

DATED this 4<sup>th</sup> day of ~~January~~ <sup>February</sup>, 2008.



WAYNE KLEIN

Director, Utah Division of Securities



Approved:



JEFF BUCKNER

Assistant Attorney General

S. J.

Division of Securities  
Utah Department of Commerce  
160 East 300 South, 2<sup>nd</sup> 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:**

**PACIFIC LENDING, LLC  
PACIFIC LENDING GROUP, INC.  
PACIFIC AARON GUZMAN**

**Respondents.**

**NOTICE OF AGENCY ACTION**

**Docket No. SD-08-0015  
Docket No. SD-08-0016  
Docket No. SD-08-0017**

---

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, March 18th, 2008, at 11:00 a.m., at the office of the Utah Division of Securities, located in the Heber Wells Building, 160 East 300 South, 2<sup>nd</sup> 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, Utah 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 4<sup>TH</sup> day of February, 2008.

  
WAYNE KLEIN  
Director, Utah Division of Securities



**Certificate of Mailing**

I certify that on the 5TH day of FEBRUARY, 2008, I mailed, by certified mail, a true and correct copy of the Order to Show Cause and Notice of Agency Action to:

Pacific Lending, LLC  
9825 Girard Ave., 216  
Denver, CO 80231

Certified Mailing # 70070710000302081792

Pacific Lending Group, Ind.  
2897 Water Vista Way  
Sandy, UT 84093

Certified Mailing # 70070710000302081808

Pacific Aaron Guzman  
986 North 1950 East  
Saint George, UT 84770

Certified Mailing # 70070710000302081815

PAWALA RADZINSKI  
Executive Secretary