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**BEFORE THE DIVISION OF SECURITIES  
OF THE DEPARTMENT OF COMMERCE  
OF THE STATE OF UTAH**

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IN THE MATTER OF:

SECURED LOAN FUND, LLC  
DAVID BURNS STAYNER  
MERRILL B. PUGMIRE

RESPONDENTS.

**ANSWER OF RESPONDENTS  
SECURED LOAN FUND, LLC  
AND DAVID BURNS STAYNER**

Docket No. SD-09-003

Docket No. SD-09-004

Docket No. SD-09-005

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Respondents Secured Loan Fund, LLC (hereinafter "SLF") and David Burns Stayner (hereinafter "Stayner")(hereinafter collectively referred to as "Respondents"), by and through their counsel of record, Douglas E. Griffith of Kesler & Rust, answers the Order to Show Cause filed by Utah Division of Securities (hereinafter "the Division") as follows:

1. Respondents admit the allegations contained in ¶¶ 1 and 2 of the Order to Show Cause.
2. Respondents deny the allegations contained in ¶ 3 of the Order to Show Cause.

3. Respondents admit the allegations contained in ¶ 4 of the Order to Show Cause.
4. Respondents deny the allegations contained in ¶ 5 of the Order to Show Cause.
5. Respondents admit the allegations contained in ¶ 6 of the Order to Show Cause with the exception of the total number of Utah investors.
6. Respondents deny the allegations contained in ¶¶ 7 and 8 of the Order to Show Cause.
7. Respondents admit the allegations contained in ¶ 9 of the Order to Show Cause.
8. Respondents are without knowledge or information sufficient to form a belief as to the truthfulness of the allegations contained in ¶ 10 of the Order to Show Cause and therefore deny the same.
9. Respondents admit the allegations contained in ¶¶ 11 through 13 of the Order to Show Cause.
10. Respondents deny the allegations contained in ¶ 14 of the Order to Show Cause.
11. Respondents are without knowledge or information sufficient to form a belief as to the truthfulness of the allegations contained in ¶ 15 of the Order to Show Cause and therefore deny the same.
12. Respondents are without knowledge or information sufficient to form a belief as to the truthfulness of the allegations contained in ¶ 16 of the Order to Show Cause and therefore deny the same.

13. Respondents admit the allegations contained in ¶ 17 of the Order to Show Cause.

14. Respondents are without knowledge or information sufficient to form a belief as to the truthfulness of the allegations contained in ¶¶ 18 through 26 of the Order to Show Cause and therefore deny the same.

15. Respondents deny the allegations contained in ¶ 27 of the Order to Show Cause.

16. Respondents deny the allegations contained in ¶ 28 of the Order to Show Cause as they apply to Stayner.

17. Respondents are without knowledge or information sufficient to form a belief as to the truthfulness of the allegations contained in ¶¶ 29 through 38 of the Order to Show Cause and therefore deny the same.

18. Respondents admit the allegations contained in ¶ 39 of the Order to Show Cause.

19. Respondents deny the allegations contained in ¶ 40 of the Order to Show Cause.

20. Respondents are without knowledge or information sufficient to form a belief as to the truthfulness of the allegations contained in ¶¶ 41 through 47 of the Order to Show Cause and therefore deny the same.

21. Respondents admit the allegations contained in ¶ 48 of the Order to Show Cause.

22. Respondents are without knowledge or information sufficient to form a belief as to the truthfulness of the allegations contained in ¶ 49 of the Order to Show Cause and therefore deny the same.

23. Respondents deny the allegations contained in ¶ 50 of the Order to Show Cause.
24. Respondents are without knowledge or information sufficient to form a belief as to the truthfulness of the allegations contained in ¶ 51 of the Order to Show Cause and therefore deny the same.
25. Respondents deny the allegations contained in ¶ 28 of the Order to Show Cause as they apply to Stayner.
26. Respondents admit the allegations contained in ¶¶ 53 through 54 of the Order to Show Cause.
27. Respondents are without knowledge or information sufficient to form a belief as to the truthfulness of the allegations contained in ¶ 55 of the Order to Show Cause and therefore deny the same.
28. Respondents deny the allegations contained in ¶ 56 of the Order to Show Cause.
29. Respondents admit the allegations contained in ¶ 57 of the Order to Show Cause.
30. Respondents are without knowledge or information sufficient to form a belief as to the truthfulness of the allegations contained in ¶¶ 58 and 59 of the Order to Show Cause and therefore deny the same.
31. Respondents admit the allegations contained in ¶¶ 60 through 67 of the Order to Show Cause.

32. Respondents are without knowledge or information sufficient to form a belief as to the truthfulness of the allegations contained in ¶¶ 68 of the Order to Show Cause and therefore deny the same.

33. Respondents admit the allegations contained in ¶¶ 69 and 70 of the Order to Show Cause.

34. Respondents are without knowledge or information sufficient to form a belief as to the truthfulness of the allegations contained in ¶¶ 71 and 72 of the Order to Show Cause and therefore deny the same.

35. Respondents deny the allegations contained in ¶ 73 of the Order to Show Cause as they apply to Stayner.

36. Respondents are without knowledge or information sufficient to form a belief as to the truthfulness of the allegations contained in ¶¶ 74 and 75 of the Order to Show Cause and therefore deny the same.

37. Respondents deny the allegations contained in ¶ 76 of the Order to Show Cause as they apply to Stayner.

38. Respondents incorporate their answers herein to the preceding paragraphs of this Answer in response to ¶ 77 of the Order to Show Cause.

39. Respondents admit the allegations contained in ¶ 78 of the Order to Show Cause.

40. Respondents deny the allegations contained in ¶¶ 79 and 80 of the Order to Show Cause.

41. Respondents deny the allegations contained in ¶ 81 of the Order to Show Cause.

42. Respondents deny all allegations of the Order to Show Cause not expressly admitted herein.

### **AFFIRMATIVE DEFENSES**

Respondents asserts the following affirmative defenses to the Division's Order to Show Cause and reserves the right to amend their affirmative defenses as further information becomes available.

#### **FIRST AFFIRMATIVE DEFENSE**

Respondents alleges that Division has failed to state a claim or cause of action upon which relief may be granted as against the Respondents.

#### **SECOND AFFIRMATIVE DEFENSE**

Respondents allege that Division's claims are barred by reason of the Division's failure to plead fraud with particularity as to each of the Respondents.

#### **THIRD AFFIRMATIVE DEFENSE**

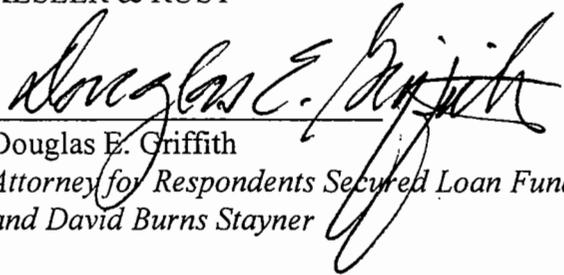
Respondents alleges that Division's claims are barred by any other matter constituting an avoidance or affirmative defense.

**PRAYER**

WHEREFORE, Respondents request that this Court dismiss the claims and causes of action filed by Division and deny the relief requested by the Division.

DATED this 5<sup>TH</sup> day of March, 2009.

KESLER & RUST

  
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Douglas E. Griffith  
*Attorney for Respondents Secured Loan Fund, LLC  
and David Burns Stayner*

**CERTIFICATE OF SERVICE**

I hereby certify that I caused to be delivered by the method indicated below a true and correct copy of the foregoing **ANSWER OF RESPONDENTS SECURED LOAN FUND, LLC AND DAVID BURNS STAYNER**, in Docket Nos. SD-09-0003, SD-09-0004, and SD-09-0005, postage prepaid, this 5 day of March, 2009, to:

- FEDERAL EXPRESS
- U.S. MAIL
- HAND DELIVERY
- TELEFAX TRANSMISSION

  
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