

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

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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.**

**ORDER TO SHOW CAUSE**

Docket No. SD-09-0003

Docket No. SD-09-0004

Docket No. SD-09-0005

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It appears to the Director of the Utah Division of Securities (Director) that Secured Loan Fund, LLC, David Burns Stayner, and Merrill B. Pugmire 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 Respondents and the subject matter is appropriate because the Division alleges that they violated § 61-1-1 (securities fraud) of the Act while engaged in the offer and sale of securities in or from Utah.

## **STATEMENT OF FACTS**

### **THE RESPONDENTS**

2. Secured Loan Fund, LLC (SLF) registered as a Utah limited liability company on December 23, 2003. Its current entity status is “active.” SLF’s business address is in Irvine, California, and David Burns Stayner is the manager and registered agent.
3. David Burns Stayner (Stayner) is a resident of Washington County, California.
4. Merrill B. Pugmire (Pugmire) is a resident of Davis County, Utah. At all times relevant to the matters asserted herein, Pugmire acted as an agent of SLF.

### **GENERAL ALLEGATIONS**

5. From approximately September 2003 to April 2005, in or from Utah, SLF and Stayner offered and sold SLF promissory notes to at least eight investors, and collected a total of at least \$4,950,761. A detailed narrative of the investments made by three of the eight investors is included below.
6. Pugmire assisted in the offer and sale of SLF’s promissory notes to at least four of those eight investors, accounting for a total of \$3,050,761 of the money collected. Pugmire was paid a commission by SLF in return for his assistance.
7. Investors lost all of their principal investments, but did receive some interest payments.
8. Respondents told investors their money would be used to make bridge loans to real estate developers, and that these loans were always secured by real estate worth two to three times the principal amount loaned.

9. In return for an investment in SLF, investors received an unsecured promissory note from SLF, promising interest of anywhere from 9 to 18% per year, with a maturity date of one year.
10. Unsecured promissory notes are securities under the Act.

EC and GC, Husband and Wife

11. In December 2003, Stayner and Pugmire met EC and GC, at EC and GC's home in Davis County, Utah, to discuss an investment in SLF.
12. EC and GC told Stayner and Pugmire they had approximately \$1,000,000 in a charitable remainder unitrust with Deseret Trust Company, and were not happy with the returns they were receiving.
13. Stayner told EC and GC if they invested their unitrust in SLF, their investment would earn annual interest of 12%. Stayner said the unitrust would be required to pay EC and GC 8% annual interest, and the remaining 4% could be reinvested, allowing the unitrust to grow each year.
14. Stayner also told EC and GC he would personally guarantee their investment in SLF.
15. At the December 2003 meeting, Stayner gave EC and GC a printed version of a Powerpoint presentation on the investment in SLF. Each slide in the presentation contains the logo for Stayner's company, Wealth-Partners.<sup>1</sup> In part, the presentation

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<sup>1</sup> Wealth-Partners, LLC and Wealth-Partners II, LLC were registered as Utah limited liability companies on July 16, 2001 and August 12, 2003, respectively. The current entity status of Wealth-Partners is "expired" as of October 10, 2005, and the current entity status of Wealth-

included the following information:

a. “Secured Loan Fund, LLC

Diversified group of loans made to qualified companies that produce safe, high yield, 12% returns for participating investor/lenders.”

b. “Secured Loan Fund Facts

- Loans are made to qualified companies
- 12 month maximum term
- 2 to 3 times collateral minimum
- Personal and company guarantees
- Loans are grouped like a mutual fund
- Cash reserves set aside
- 12% net return for investor/lenders”

c. “Ways to Invest for 12% Return

- Borrow against or sell real estate equity
- Borrow against or sell stocks or bonds
- Use pension savings (IRA, 401k, etc)
- Use trust funds
- Use CDs, money market, or cash
- Borrow against life insurance
- Use personal or company credit lines”

d. “Current Opportunity

- Secured Loan Fund, LLC
- \$100,000,000 Fund Limit
- Secured Loan Fund, LLC - Participants Have priority on future fund opportunities.”

16. One of the slides in the Powerpoint presentation represents that the minimum investment

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Partners II is “active.” Stayner is the manager, member, and registered agent of Wealth-Partners, and the manager of Wealth-Partners II.

was \$500,000.

17. On February 12, 2004, EC and GC invested \$972,490 in SLF, via electronic wire transfer from their unitrust at Deseret Trust Company to SLF's bank account at Wells Fargo Bank.
18. After investing, EC and GC received a "Personal Guarantee" from Stayner which acknowledges EC and GC's investment, and states that "Stayner personally guarantees the principal payment documented in the attached Promissory Note." The written guaranty is unsigned.
19. EC and GC also received a signed, but undated letter in the mail from Stayner, stating that on March 5, 2005, EC and GC will receive 12% annual interest (\$116,700) on their March 5, 2004 investment. The letter goes on to state:

As directed Secured Loan Fund, LLC will cause the following to occur:

1. Credit all principal and interest of \$1,089,190 to the [EC and GC] Charitable Remainder Unitrust.
  2. Transfer \$78,189 of the earned interest (8% of principal) to the personal account of [EC and GC].
  3. Leave the remaining \$38,511 of the earned interest (4% of principal) in the [EC and GC] Charitable Remainder Unitrust. The \$38,511 will be added to the \$972,490 for a new principal balance as of March 5, 2005 of \$1,011,001.
  4. Prepare a new Letter of Understanding and Promissory note. This note will be for \$1,011,001 dated March 5, 2005 due March 5, 2006 with pre-earned interest at 12% or \$121,320 to total \$1,132,321 of principal and interest.
20. On March 5, 2005, EC and GC reinvested their principal investment plus 4% interest (\$1,011,001) and signed a "Letter of Understanding & Promissory Note," in which SLF

acknowledges receipt of their investment.

21. EC and GC also received a receipt for funds and a “Promissory Note” from Stayner, each bearing Stayner’s signature.
22. The promissory note states that SLF will pay EC and GC their principal plus annual interest of 12% (\$121,320) on or before March 5, 2006.
23. EC and GC also signed an “Annual Renewal of Letter of Understanding and Promissory Note,” which authorizes the automatic renewal of their promissory note on March 5<sup>th</sup> of each year for the remainder of their lives. EC and GC’s last automatic renewal occurred on March 5, 2007.
24. Prior to renewing EC and GC’s investment in March 2006 and 2007, Stayner and Pugmire failed to tell LP and SP, among other things, that SLF had invested some of their funds with a company called Mathon Fund, that Mathon Fund was the subject of a Temporary Restraining Order issued by an Arizona court in April 2005 in response to a motion filed by the Arizona Corporations Commission, and that the same court appointed a receiver in April 2005 to take control of Mathon Fund and its assets.
25. From March 2005 to March 2007, EC and GC received three interest payments from SLF, totaling \$252,889.96.
26. On May 27, 2007, GC wrote a letter to Stayner asking him to provide her with the steps necessary to withdraw part or all of her investment.
27. EC and GC received no response to GC’s letter, and have received no additional

payments from Respondents.

28. Respondents still owe EC and GC a total of \$972,490 in principal alone.

TS and LS, Husband and Wife

29. On October 27, 2004, TS and LS sold their home in Weber County, Utah, and received gross proceeds of \$489,967. After their home sold TS and LS contacted Merrill Pugmire, who had been advising them on how to set up a charitable remainder unitrust for the benefit of the LDS Church, to ask where the title company should send the proceeds of the sale of their home.
30. During their conversation, TS and LS told Pugmire they could not afford to lose their investment.
31. Pugmire told TS and LS the investment in the unitrust would carry no risk.
32. Pugmire also told TS and LS the investment would earn 9% annual interest and that 8% would be distributed to them quarterly, with the remaining 1% reinvested in the unitrust.
33. Pugmire told TS and LS the unitrust matured in 17 years, and upon maturity the principal would go to the LDS Church.
34. Pugmire also told TS and LS their unitrust would be invested in the Deseret Trust Company.
35. Pugmire instructed TS and LS to have the title company send their investment funds to SLF's Wells Fargo bank account, in Davis County, Utah.
36. TS and LS assumed that when they sent their funds to SLF pursuant to Pugmire's

instructions, the money was going to their unitrust.

37. On or about October 25, 2004, at Pugmire's request, TS and LS signed an "Acknowledgment" stating that the investment opportunity had been presented to them by SLF, and that TS and LS were knowledgeable and experienced in financial and business matters.
38. TS and LS were 65 years of age or older at the time of their initial investment, and they were not accredited investors.
39. In early November 2004, Pugmire and Stayner met with TS and LS at their new home in Weber County, Utah. This was the first time TS and LS met Stayner.
40. At the November 2004 meeting, Stayner told TS and LS that Stayner would sign a receipt for their investment on behalf of the LDS Church. Stayner also asked TS and LS to sign certain documents stating that they want their principal investment to go to their unitrust.
41. TS and LS signed the documents presented to them by Stayner without reading them.
42. The documents TS and LS signed included a "Letter of Understanding & Promissory Note" and a separate "Promissory Note." These documents are dated November 1, 2004, and state that SLF promises to pay TS and LS' charitable remainder unitrust the sum of \$446,265.17 plus annual interest of 9% (\$40,163.87) on or before November 1, 2005.
43. Shortly after investing, TS and LS received a signed, but undated letter from Stayner regarding their unitrust. The letter states:

On November 1, 2005 the \$446,265.17 principal contribution on your note dated November 1, 2004 will earn \$40,163.87 interest for a total of

\$486,429.04. As directed Secured Loan fund, LLC will cause the following to occur:

1. Credit all principal and interest of \$486,429.04 to the [TS and LS] Charitable Remainder Unitrust.
  2. Transfer \$35,701.21 of the earned interest (8% of principal) to the personal account of [TS and LS].
  3. Leave the remaining \$4,462.65 of the earned interest (1% of principal) in the [TS and LS] Charitable Remainder Unitrust. The \$4,462.65 will be added to the \$446,265.17 for a new principal balance as of November 1, 2005 of \$450,727.82.
  4. Prepare a new Letter of Understanding and Promissory note. This note will be for \$450,727.82 dated November 1, 2005 due November 1, 2006 with pre-earned interest at 9% or \$40,565.50 to total \$491,293.32 of principal and interest.
  5. Also as requested and as required by terms of the Trust your 8% annual earned interest on \$450,727.82 totaling \$36,058.23 will be distributed to you on a quarterly basis of \$9014.56 on February 1, 2006, \$9014.56 on May 1, 2006, \$9014.56 on August 1, 2006, and \$9014.55 on November 1, 2006.
44. In or around June 2005, an employee of the LDS Church visited TS and LS and informed them that the Church had never received their investment funds. TS and LS were shocked.
45. At this time, TS and LS reviewed the documents they signed in November 2004 at the request of Stayner, and discovered that their funds had been invested in SLF.
46. In or around June, 2005, TS and LS contacted Stayner and Pugmire to request the return of their investment funds.
47. In response to TS and LS's request, Stayner and Pugmire said they would return the investment as soon as possible.
48. On or about November 1, 2005, Stayner and Pugmire went to TS and LS' home and gave

them an interest check in the amount of \$36,058, a new “Letter of Understanding & Promissory Note” in the amount of \$450,727.82, an “Acknowledgment,” and a separate “Promissory Note,” with the expectation that they would reinvest with SLF.

49. During the November 1, 2005 meeting, Stayner and Pugmire failed to tell LP and SP, among other things, that SLF had invested some of their funds with a company called Mathon Fund, that Mathon Fund was the subject of a Temporary Restraining Order issued by an Arizona court in April 2005 in response to a motion filed by the Arizona Corporations Commission, and that the same court appointed a receiver in April 2005 to take control of Mathon Fund and its assets.
50. TS and LS asked Stayner and Pugmire to return their principal, and Stayner and Pugmire became angry and left.
51. In November 2005, 2006, and 2007, TS and LS received interest payments of \$36,058 from SLF. In May 2008, TS and LS received their last interest payment of \$9,345 from SLF. In total TS and LS have received \$117,519 in interest payments from SLF.
52. Respondents still owe TS and LS a total of \$446,265.17 in principal alone.

LP and SP, Husband and Wife

53. In 2003, Stayner began visiting LP and SP at their ranch in Wyoming and at their insurance agent’s office in Davis County, Utah, and introduced them to the investment opportunity in SLF.
54. LP and SP planned to sell their ranch in Wyoming, and were looking for a place to invest

some of the equity.

55. Over the course of several meetings with LP and SP in Wyoming and in Utah in 2003, Stayner told them the following regarding an investment in SLF:
  - a. LP and SP could control their money;
  - b. the investment was in a “Secure Loan Co.”;
  - c. The investment worked well for Stayner;
  - d. LP and SP would make at least 12 to 18% annual interest;
  - e. The investment funds would be loaned to big companies for a short term;
  - f. There were many other investors in the company;
  - g. Investors must have at least \$500,000 to invest;
  - h. The investment matured in one year, but if needed, LP and SP could take some money out after six months;
  - i. With this investment, LP and SP would not need high-priced life insurance.
56. Stayner also told LP and SP Stayner would always hold security on the loans and, if any loan went bad, it would not affect LP and SP’s investment because SLF would always have eight to ten other large companies with projects.
57. In August 2003, at LP and SP’s Wyoming ranch, Stayner presented a “[P] Family Financial Analysis of Ranch Sale” Powerpoint presentation to LP and SP.
58. The presentation assumed the ranch would sell for \$2,500,000 and that after purchasing a new home and paying expenses, LP and SP would have \$1,630,000 in cash available to

invest. The presentation compared the return, income, security and maturity date for an investment of \$1,000,000 in real estate, stocks, bank certificate of deposits, annuities, and secured loans as follows:

	<i>Real Estate</i>	<i>Stocks</i>	<i>Bank CD</i>	<i>Annuity</i>	<i>Secured Loans</i>
<i>Return</i>	Varies	Varies	2%	5%	13%
<i>Income</i>	Varies	Varies	\$20k	\$50k	\$130k
<i>Security</i>	RE Only	None	FDIC	Insur. Co.	3x plus Corp. \$ personal
<i>Term</i>	Long	Short	Short	MedLong	Short

59. The Powerpoint slide devoted to SLF states:

“Secured Lending Fund

- 13%+ net Return
- Loans to Companies
- 1 year Commitment
- 1<sup>st</sup> Payout 6 Month
- Cash Reserves
- Insured Guarantee
- 2-3x Collateral
- Personal Guarantees
- Pooled Loans
- 100% Return of Principal & Interest to all lenders.”

60. On December 10, 2004, LP and SP sold their ranch for \$2,625,000.

61. On December 20, 2004, LP and SP invested \$1,500,000 of their equity in SLF, via electronic wire transfer, from their bank account to SLF’s Wells Fargo bank account, in Davis County, Utah.

62. On December 20, 2004, after investing, LP and SP entered into a “Letter of

Understanding & Promissory Note” with Stayner, as the managing member of SLF. LP and SP also received a “Promissory Note” from Stayner and SLF.

63. Pursuant to the promissory note, SLF promised to pay LP and SP their principal plus 13% annual interest (\$195,000) on or before December 21, 2005.
64. The note also authorized SLF to distribute the entire \$1,500,000 to the “Borrower Fund.”
65. On December 20, 2004, LP and SP also signed an “Acknowledgment” stating they had the “knowledge and experience in financial and business matters to enable the Client/Lender to evaluate the merits and risks of lending” and that their net worth was not less than \$500,000.
66. On December 21, 2004, SLF sent LP and SP’s investment funds to Mathon Fund<sup>2</sup>, via electronic wire transfer.
67. On or about December 19, 2005, LP and SP received a letter from Stayner, on behalf of SLF, providing LP and SP with three options for their note that matured on December 21, 2005: (1) reinvest the entire \$1,695,000 (principal plus interest); (2) receive the interest of \$195,000 and reinvest the principal; or (3) receive the entire \$1,695,000.
68. Stayner encouraged LP and SP to reinvest, saying if they could afford to leave the

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<sup>2</sup> “Mathon Fund” refers to both Mathon Fund I, LLC and Mathon Fund, LLC, which are both Arizona limited liability companies registered in 2002 and 2003 respectively (although Mathon Fund became a Delaware limited liability company in late 2003). Mathon Fund’s sole member was Mathon Management Company, LLC, which was managed by Slade Williams and Associates, LLC. Slade Williams and Associates, LLC was managed by Duane Slade and Guy Andrew Williams. Mathon Fund is currently not in good standing with the Arizona Corporation Commission.

- interest in and reinvest the entire amount, they should.
69. LP and SP chose the second option of receiving interest and reinvesting their principal.
  70. On December 24, 2005, Stayner sent LP and SP their interest of \$195,000, via wire transfer from Stayner's Wells Fargo account, to LP and SP's bank account.
  71. On December 20, 2005, LP and SP reinvested their money in a new "Letter of Understanding & Promissory Note," "Promissory Note", and signed another "Acknowledgment." The terms were the same as the first note except the \$1,500,000 principal plus 13% annual interest (\$195,000) was due on or before December 20, 2006.
  72. At the time of LP and SP's reinvestment, Stayner failed to tell LP and SP, among other things, that SLF had invested all of their funds with a company called Mathon Fund, that Mathon Fund was the subject of a Temporary Restraining Order issued by an Arizona court in April 2005 in response to a motion filed by the Arizona Corporations Commission, and that the same court appointed a receiver in April 2005 to take control of Mathon Fund and its assets.
  73. SLF and Stayner failed to pay LP and SP any principal or interest when their second note matured in December 2006.
  74. By March 2007, SLF and Stayner had made two partial interest payments to LP and SP totaling \$177,000.
  75. Despite repeated requests for payment, LP and SP have received no additional payments of principal or interest from SLF or Stayner.

76. SLF and Stayner still owe LP and SP a total of \$1,500,000 in principal alone.

#### **CAUSES OF ACTION**

#### **COUNT I**

#### **Securities Fraud under § 61-1-1 of the Act**

77. The Division incorporates and re-alleges paragraphs 1 through 76.

78. The promissory notes offered and sold by Respondents are securities under § 61-1-13 of the Act.

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

- a. SLF would use investor funds to extend bridge loans to real estate developers;
- b. SLF's bridge loans were secured by real estate worth two to three times the principal amount of the loan, and the lender provided SLF with personal and company guarantees;
- c. Stayner personally guaranteed EC and GC's investment in SLF;
- d. Stayner and Pugmire told EC and GC that an investment with SLF was safe and produced a high yield;
- e. Pugmire told TS and LS their investment funds were being invested in their charitable remainder unitrust through the Deseret Trust Company;
- f. Pugmire told TS and LS their investment would carry no risk;
- g. Stayner told TS and LS that Stayner would sign a receipt for their investment on behalf of the LDS Church;

- h. Stayner told LP and SP they could control their investment funds;
  - i. Stayner told LP and SP they could liquidate some of their funds after six months;
  - j. The investment provided a yearly return of anywhere from nine to eighteen percent.
80. In connection with the offer and sale of securities to investors, Respondents, 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. That SLF invested some of the investors funds with Mathon Fund, instead of using the funds to extend bridge loans to real estate developers;
  - b. That there was no real minimum amount to be invested, as some investors were told the minimum was \$500,000, and others were told \$100,000;
  - c. Respondents did not tell any of the investors who invested or re-invested funds with SLF after September 24, 2004 (including investors EC and GC, TS and LS, and LP and SP), that Mathon Fund entered into a Stipulation and Consent Order with the Utah Division of Securities, pursuant to which it was ordered to cease and desist from violating the Act, and was ordered to pay a fine of \$25,000;
  - d. Respondents did not tell any of the investors who invested or re-invested funds with SLF after November 11, 2005 (including investors EC and GC, TS and LS, and LP and SP), that Mathon Fund had filed for bankruptcy;
  - e. Respondents did not tell any of the investors who invested or re-invested funds

with SLF after April 18, 2005 (including investors EC and GC, TS and LS, and LP and SP), that Mathon Fund was the subject of a Temporary Restraining Order issued by an Arizona court in April 2005 in response to a motion filed by the Arizona Corporations Commission, and that the same court appointed a receiver in April 2005 to take control of Mathon Fund and its assets;

- f. Some or all of the information typically provided in an offering circular or prospectus regarding SLF and Mathon Fund, such as:
- i. The identity of SLF's and Mathon Fund's principals along with SLF's experience in extending bridge loans, and Mathon Fund's experience in developing real estate;
  - ii. SLF's and Mathon Fund's financial statements;
  - iii. The market for SLF's and Mathon Fund's service(s);
  - iv. The nature of the competition for the service(s);
  - v. The track record of SLF and Mathon Fund to other investors;
  - vi. The number of other investors;
  - vii. The risk factors for SLF and Mathon Fund investors;
  - viii. Discussion of pertinent suitability factors for the investment;
  - ix. Any conflicts of interest the issuer, the principals, or the agents may have with regard to the investment;
  - x. Agent commissions or compensation for selling the investment;

- xi. Any involvement of SLF and Mathon Fund or its principals in certain legal proceedings, including bankruptcy or prior violations of state or federal securities laws;
- xii. Whether the investment is a registered security or exempt from registration; and
- xiii. Whether the person selling the investment is licensed.

81. Based upon the foregoing, Secured Loan Fund, LLC, David Burns Stayner, and Merrill B. Pugmire violated § 61-1-1 of the Act.

#### **ORDER**

The Director, pursuant to § 61-1-20 of the Act, hereby orders 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 Tuesday, March 3rd, 2009, at 9:00 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 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, Respondents may show cause, if any they have:

- a. Why Secured Loan Fund, LLC, David Burns Stayner, and Merrill B. Pugmire

should not be found to have engaged in the violations alleged by the Division in this Order to Show Cause;

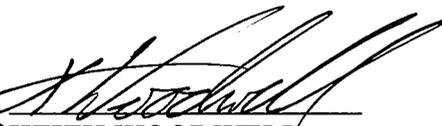
- b. Why Secured Loan Fund, LLC, David Burns Stayner, and Merrill B. Pugmire should not be ordered to cease and desist from engaging in any further conduct in violation of Utah Code Ann. § 61-1-1, or any other section of the Act;
- c. Why Secured Loan Fund, LLC, David Burns Stayner, and Merrill B. Pugmire should not be ordered to pay a fine, jointly and severally, of \$3,750,000 to the Division of Securities, which may be reduced by restitution paid to the investors.

DATED this 27<sup>th</sup> day of January, 2009.

Approved:

  
JEFF BUCKNER  
Assistant Attorney General



  
KEITH WOODWELL  
Director, Utah Division of Securities

A. K.

Division of Securities  
Utah Department of Commerce  
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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.

NOTICE OF AGENCY ACTION

Docket No. SD-09-0003

Docket No. SD-09-0004

Docket No. SD-09-0005

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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 Tuesday, March 3rd, 2009, at 9:00 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 Administrative Law Judge will be J. Steven Eklund, Utah Department of Commerce, 160 East 300 South, P.O. Box 146701, Salt Lake City, UT 84114-6701, telephone (801) 530-6648. Pursuant to U.C.A. Subsection 63-46b-2(1)(h), Mr. Eklund is hereby designated as presiding officer for the purpose of conducting this formal administrative proceeding. 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 27<sup>th</sup> day of January, 2009.



  
KEITH WOODWELL  
Director, Division of Securities

**Certificate of Mailing/Service**

I certify that on the 4<sup>TH</sup> day of FEBRUARY, 2009, I mailed, via certified and regular mail, a true and correct copy of the Order to Show Cause and Notice of Agency Action to:

Secured Loan Fund, LLC  
38 Technology Way Suite, 250  
Irvine, CA 92618

Certified Mailing # 70041160000301958591

Secured Loan Fund, LLC  
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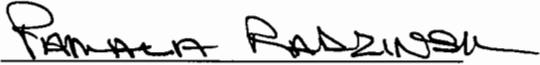
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