

Division of Securities
Utah Department of Commerce
160 East 300 South, 2nd 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:

**SECURED LOAN FUND, LLC,
SECURED LOAN FUND II, LLC, and
DAVID BURNS STAYNER,**

Respondents.

**AMENDED ORDER TO SHOW
CAUSE**

Docket No. SD-09-0003
Docket No. SD-09-0059
Docket No. SD-09-0004

It appears to the Director of the Utah Division of Securities (Director) that Secured Loan Fund, LLC, Secured Loan Fund II, LLC, and David Burns Stayner 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) is a Utah limited liability company in good standing. SLF filed articles of organization 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. Secured Loan Fund II, LLC (SLF II) is a Utah limited liability company. SLF II filed articles of organization on September 23, 2005. Its current entity status is delinquent as of October 26, 2009.
4. David Burns Stayner (Stayner) is a resident of Washington County, California.

GENERAL ALLEGATIONS

5. From approximately September 2003 to December 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 four of the eight investors is included below.
6. Investors lost all of their principal investments, but did receive some interest payments.
7. 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.

8. 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.
9. Unsecured promissory notes are securities under the Act.

EC and GC, Husband and Wife

10. In December 2003, Stayner and Merrill B. Pugmire¹ met EC and GC, at EC and GC's home in Davis County, Utah, to discuss an investment in SLF.
11. 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.
12. 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.
13. Stayner also told EC and GC he would personally guarantee their investment in SLF.
14. 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

¹At all times relevant to the matters asserted herein, Pugmire acted as an agent of SLF. Agency action commenced January 29, 2009 against Merrill B. Pugmire has been dismissed as of November 16, 2009 pursuant to Rule 41(a)(1) of the Utah Rules of Civil Procedure. Pugmire died on November 9, 2009.

contained the logo for Stayner's company, Wealth-Partners.² In part, the presentation 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

² 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-Partners II is "active." Stayner is the manager, member, and registered agent of Wealth-Partners, and the manager of Wealth-Partners II.

- Secured Loan Fund, LLC - Participants Have priority on future fund opportunities.”
15. One of the slides in the Powerpoint presentation represented that the minimum investment was \$500,000.
 16. 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.
 17. After investing, EC and GC received a “Personal Guarantee” from Stayner, acknowledging EC and GC’s investment. The guaranty also stated that “Stayner personally guarantees the principal payment documented in the attached Promissory Note.” The written guaranty was unsigned.
 18. EC and GC also received a signed, but undated letter in the mail from Stayner, stating that on March 5, 2005, EC and GC would receive 12% annual interest (\$116,700) on their March 5, 2004 investment. The letter also stated:

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.

19. 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 acknowledged receipt of their investment.
20. EC and GC also received a receipt for funds and a “Promissory Note” from Stayner, each bore Stayner’s signature.
21. The promissory note stated that SLF would pay EC and GC their principal plus annual interest of 12% (\$121,320) on or before March 5, 2006.
22. EC and GC also signed an “Annual Renewal of Letter of Understanding and Promissory Note,” authorizing the automatic renewal of their promissory note on March 5th of each year for the remainder of their lives. EC and GC’s last automatic renewal occurred on March 5, 2005.
23. Prior to renewing EC and GC’s investment in March 2006 and 2007, Stayner and Pugmire failed to tell EG and GC, 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.
24. From March 2005 to March 2007, EC and GC received three interest payments from SLF, totaling \$252,889.96.

25. 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.
26. EC and GC received no response to GC's letter, and have received no additional payments from Respondents.
27. Respondents still owe EC and GC a total of \$972,490 in principal alone.

TS and LS, Husband and Wife

28. In 2001, TS and LS met with Pugmire to discuss how to set up a charitable remainder unitrust for the benefit of the LDS Church. During their conversation, TS and LS told Pugmire they could not afford to lose their investment.
29. Pugmire told TS and LS the investment in the unitrust would carry no risk.
30. 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.
31. Pugmire told TS and LS the unitrust matured in 17 years, and upon maturity the principal would go to the LDS Church.
32. Pugmire also told TS and LS their unitrust would be invested in the Deseret Trust Company.
33. On October 27, 2004, TS and LS sold land located behind their home in Weber County, Utah, and received gross proceeds of \$489,967. After the land sale, TS and LS contacted Pugmire to ask where the title company should send the proceeds of the sale of their home.

34. 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.
35. TS and LS assumed that when they sent their funds to SLF pursuant to Pugmire's instructions, the money was going to their unitrust.
36. 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.
37. TS and LS were 65 years of age or older at the time of their initial investment, and they were not accredited investors.
38. 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.
39. 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.
40. TS and LS signed the documents presented to them by Stayner without reading them.
41. The documents TS and LS signed included a "Letter of Understanding & Promissory Note" and a separate "Promissory Note." These documents were 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.

42. Sometime after investing, TS and LS received a signed, but undated letter from Stayner regarding their unitrust. The letter stated:

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.

43. 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.

44. 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.

45. In or around June 2005, TS and LS contacted Stayner and Pugmire to request the return

- of their investment funds.
46. In response to TS and LS's request, Stayner and Pugmire said they would return the investment as soon as possible.
 47. 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.
 48. 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.
 49. TS and LS asked Stayner and Pugmire to return their principal, and Stayner and Pugmire became angry and left.
 50. In November 2005, 2006, and 2007, TS and LS received interest payments of \$36,058 from SLF. In December 2008, TS and LS received their last interest payment of \$9,345 from SLF. In total, TS and LS have received \$145,554 in interest payments from SLF.
 51. Respondents still owe TS and LS a total of \$446,265.17 in principal alone.

LP and SP, Husband and Wife

52. 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.
53. LP and SP planned to sell their ranch in Wyoming, and were looking for a place to invest some of the equity.
54. 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.
55. 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.

56. 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.
57. 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

58. The Powerpoint slide devoted to SLF states:

“Secured Lending Fund

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

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

60. 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.
61. 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.
62. 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.
63. The note also authorized SLF to distribute the entire \$1,500,000 to the "Borrower Fund."
64. 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.
65. On December 21, 2004, SLF sent LP and SP's investment funds to Mathon Fund³, via electronic wire transfer.
66. On or about December 19, 2005, LP and SP received a letter from Stayner, on behalf of

³ "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.

- 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.
67. Stayner encouraged LP and SP to reinvest, saying if they could afford to leave the interest in and reinvest the entire amount, they should.
 68. LP and SP chose the second option of receiving interest and reinvesting their principal.
 69. 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.
 70. 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.
 71. 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.
 72. SLF and Stayner failed to pay LP and SP any principal or interest when their second note matured in December 2006.

73. By March 2007, SLF and Stayner had made two partial interest payments to LP and SP totaling \$177,000.
74. Despite repeated requests for payment, LP and SP have received no additional payments of principal or interest from SLF or Stayner.
75. SLF and Stayner still owe LP and SP a total of \$1,500,000 in principal alone.

TC, Investor

76. TC learned about an investment opportunity with SLF from an investment newsletter TC received in or about October or November 2004. The newsletter stated “qualified participants are earning 12% guaranteed annual cash returns.”
77. On February 22, 2005, TC contacted Stayner by telephone. During the telephone conversation Stayner made the following representations:
 - a. SLF made short term loans to companies;
 - b. An investment with SLF was safe and paid a “guaranteed” 12% per annum on investor funds;
 - c. To secure the loans, SLF required guarantees from the borrowing companies and their principals, as well as collateral, usually in the form of real estate;
 - d. Funds were safe with Stayner, so TC did not have to worry about risk;
 - e. SLF would not loan out more than 5% of investors’ funds to any single company.
78. After the initial telephone conversation, Stayner mailed TC an information packet dated February 22, 2005, which included the following;

- a. A letter summarizing the February 22, 2005 telephone conversation which makes the following representations;
- b. A copy of a promissory note to be issued in return for investment funds;
- c. A copy of some frequently asked questions regarding SLF; and
- d. An executive summary for SLF.

79. Stayner made the following representations in the letter:

- a. SLF “gives participating investor/lenders a safe, guaranteed, 12% annual return on invested funds;”
- b. That participating investor/lenders are protected through:
 - i. Borrowing company guarantees;
 - ii. Personal guarantees from the borrowing companys owners/officers;
 - iii. Collateral guarantee valued at two to three times the loan amount or average of 35% loan amount to collateral value;
 - iv. An SLF promissory note and guarantee for the entire principal and 12% interest; and
 - v. Grouped loans for “additional safety with no single company borrowing more that (*sic*) 5% of the pool.”

80. Between March 3, 2005 and December 19, 2005, TC met with Stayner in Irvine, CA approximately eight times. During these meetings Stayner made the following representations:

- a. The proposed investment was not a ponzi scheme;
 - b. The investment return was “100%” guaranteed;
 - c. TC’s funds would be completely safe;
 - d. SLF would not use investment funds for any high risk loans;
 - e. Only 5% of TC’s funds would be loaned to any one company; and
 - f. Stayner had received \$10 million from previous investors and none of the investors had lost money with Stayner.
81. TC requested to receive monthly interest payments. Because SLF only made annual and quarterly payments, Stayner created a separate entity, SLF II, to hold TC’s funds and provide monthly interest payments. SLF II was to operate the same as SLF in all other areas.
82. On December 20, 2005, TC and Stayner met at Stayner’s office in Irvine, CA, where Stayner signed a copy of a \$1 million promissory note.
83. The note stated that SLF provided TC with an “offer letter dated February 22, 2005, consisting of four pages, regarding the investment of money into Secured Loan Fund II, LLC, and the proposed terms of the repayment of such funds.”
84. Stayner failed to provide TC with any disclosure documents.
85. On or about December 28, 2005, TC wired \$1 million to the Wells Fargo Bank branch located in Farmington, Utah, for the benefit of SLF II.
86. Shortly thereafter, TC began receiving monthly interest payments.

87. Bank records reveal that on December 29, 2005, TC's \$1 million deposit to SLF II's account brought the balance to \$1,000,058. TC's funds were then used as follows:
- a. \$800,000 wired to a title company in California;
 - b. Approximately \$189,000 paid to TC in monthly interest payments;
 - c. Approximately \$10,000 transferred to Stayner's personal bank account; and
 - d. Approximately \$800 in various bank fees and charges.
88. Stayner loaned \$800,000 of TC's funds to a Utah company called the Fortius Fund, LLC (Fortius.)
89. On January 4, 2006, Fortius issued a promissory note to SLF II for \$1,300,000. According to the note, the note is in return for two loans: (1) \$500,000 of principal loaned on or about July 13, 2005; and (2) \$800,000 loaned on or about January 4, 2006, the same day SLF II wired \$800,000 to a title company in California.
90. The Fortius promissory note stated Fortius' obligations would be secured by a Security Agreement "granting a security interest in and lien on Fortius' contractual rights to purchase the Property⁴ pursuant to the Underlying Purchase Documents."
91. Thus, at the time the Fortius note was issued to SLF II, there was no actual real estate securing the note, but only a right to purchase the same property for which TC's funds were being used.

⁴The property referenced is two parcels of land totaling 156.91 acres in Thermal, California.

92. In Exhibit B attached to the note, SLF II acknowledged the following risks:

[SLF II] is aware that its/his/her advance of funds hereunder is speculative and subject to substantial risks, including without limitation the risk of obtaining additional financing to close on the Property, and other risks inherent in the acquisition of real property. [SLF II] has adequate means of providing for its/his/her current needs and possible contingencies, and is able to bear the high degree of economic risk of its/his/her investment hereunder, including, but not limited to, the possibility of the complete loss of [SLF II's] entire investment and the limited transferability of its/his/her rights and interests hereunder, which may make the liquidations of this investment impossible for the indefinite future.

93. According to the terms of the promissory note TC signed with SLF II, Stayner was to return TC's principal in four 25% lump sums per month beginning July 2008.

94. In March 2008, TC requested that the first 25% of his principal be returned. Stayner did not return the principal.

95. In or about August or September 2008, Stayner said TC's funds were "all tied up" in one investment at the time. Stayner told TC that Stayner had loaned TC's funds to Fortius.⁵

CAUSES OF ACTION

COUNT I

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

96. The Division incorporates and re-alleges paragraphs 1 through 94.

⁵In or about May 2009, TC filed a law suit against Stayner and SLF II. Stayner, in a document filed with the Second District Court of Utah as a part of the suit, admitted "SLF II had already agreed to transfer \$800,000 for the benefit of Fortius prior to December 29, 2005." TC obtained a \$1,056,127.48 judgment against SLF and SLF II on or about September 23, 2009. To date, TC has received a total of about \$395,000 in payments from Stayner.

97. The promissory notes offered and sold by Respondents are securities under § 61-1-13 of the Act.
98. 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. To EC and GC:
 - i. SLF would use investor funds to extend bridge loans to real estate developers;
 - ii. 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;
 - iii. Stayner personally guaranteed EC and GC's investment in SLF;
 - iv. Stayner and Pugmire told EC and GC that an investment with SLF was safe and produced a high yield;
 - b. To TS and LS:
 - i. Stayner told TS and LS that Stayner would sign a receipt for their investment on behalf of the LDS Church;
 - c. To LP and SP:
 - i. Stayner told LP and SP they could control their investment funds;
 - ii. Stayner told LP and SP they could liquidate some of their funds after six months;

- iii. The investment provided a yearly return of anywhere from nine to eighteen percent;
 - d. To TC:
 - i. That no more than 5% of TC's funds would be given to any one company, when in fact, Stayner had already agreed to loan 80% of TC's funds to Fortius;
 - ii. That the investment was "safe" and "guaranteed," when in fact, Stayner signed a document acknowledging the loan to Fortius included "substantial risk" including the possibility of a complete loss of funds;
 - iii. That the loans SLF and SLF II made were protected by two to three times the loan amount in collateral, when in fact, the loan SLF II made to Fortius with TC's funds was not secured by any collateral, but only by a right to purchase a property;
 - iv. That none of Stayner's previous investors had lost money with Stayner, when in fact, it appears the latest Stayner knew of the Mathon Receivership was July 1, 2005.⁶
99. 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

⁶According to a court order, the receivership was appointed to "prevent waste and dissipation of the assets of [Mathon and other related entities] to the detriment of investors."

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 or SLF II after September 24, 2004 (including investors EC and GC, TS and LS, LP and SP, and TC), 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 or SLF II after November 11, 2005 (including investors EC and GC, TS and LS, LP and SP, and TC), that Mathon Fund had filed for bankruptcy;
- e. Respondents did not tell any of the investors who invested or re-invested funds with SLF or SLF II after April 18, 2005 (including investors EC and GC, TS and LS, LP and SP, and TC), 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, SLF II, and Mathon Fund, such as:
- i. The identity of SLF's, SLF II's, and Mathon Fund's principals along with SLF's and SLF II's experience in extending bridge loans, and Mathon Fund's experience in developing real estate;
 - ii. SLF's, SLF II's, and Mathon Fund's financial statements;
 - iii. The market for SLF's, SLF II's, and Mathon Fund's service(s);
 - iv. The nature of the competition for the service(s);
 - v. The track record of SLF, SLF II, and Mathon Fund to other investors;
 - vi. The number of other investors;
 - vii. The risk factors for SLF, SLF II, 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, SLF II, 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.

100. Based upon the foregoing, Secured Loan Fund, LLC, Secured Loan Fund II, LLC, and David Burns Stayner violated § 61-1-1 of the Act.

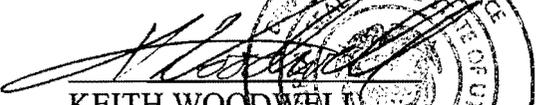
ORDER

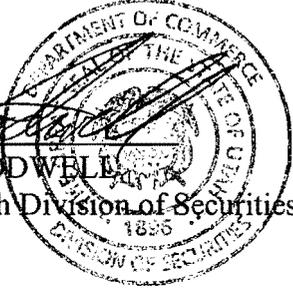
The Director, pursuant to § 61-1-20 of the Act, hereby orders Respondents to appear at a formal hearing to be conducted in accordance with Utah Code Ann. §§ 63-46b-4 and 63-46b-6 through -10, and held before the Utah Division of Securities. The hearing will occur on Tuesday, February 2nd, 2010, at 9:00 A.M., at the office of the Utah Division of Securities, located in the Heber Wells Building, 160 East 300 South, 2nd 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 Respondents should not be found to have engaged in the violations alleged by the Division in this Order to Show Cause;
- b. Why Respondents 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 Respondents should not be ordered to pay a fine, jointly and severally, of

\$4,750,000 to the Division of Securities, which may be reduced by restitution paid to the investors.

DATED this 22nd day of December, 2009.


KEITH WOODWELL
Director, Utah Division of Securities



Approved:


JEFF BUCKNER
Assistant Attorney General

J. N.

Division of Securities
Utah Department of Commerce
160 East 300 South, 2nd 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:

**SECURED LOAN FUND, LLC,
SECURED LOAN FUND II, LLC, and
DAVID BURNS STAYNER,**

Respondent.

NOTICE OF AGENCY ACTION

Docket No. SD-09-0003
Docket No. SD-09-0059
Docket No. SD-09-0004

THE DIVISION OF SECURITIES TO THE ABOVE-NAMED RESPONDENT:

You are hereby notified that agency action in the form of an adjudicative proceeding has been commenced against you by the Utah Division of Securities (Division). The adjudicative proceeding is to be formal and will be conducted according to statute and rule. See Utah Code Ann. §§ 63G-4-201 and 63G-4-204 through 209; see also Utah Admin. Code R151-46b-1, *et seq.* The legal authority under which this formal adjudicative proceeding is to be maintained is Utah Code Ann. § 61-1-20. You may be represented by counsel or you may represent yourself in this proceeding. Utah Admin. Code R151-46b-6.

You must file a written response with the Division within thirty (30) days of the mailing date of this Notice. Your response must be in writing and signed by you or your representative. Your

response must include the file number and name of the adjudicative proceeding, your version of the facts, a statement of what relief you seek, and a statement summarizing why the relief you seek should be granted. Utah Code Ann. § 63G-4-204(1). In addition, pursuant to Utah Code Ann. § 63G-4-204(3), the presiding officer requires that your response:

- (a) admit or deny the allegations in each numbered paragraph of the Order to Show Cause, including a detailed explanation for any response other than an unqualified admission. Allegations in the Amended Order to Show Cause not specifically denied are deemed admitted;
- (b) identify any additional facts or documents which you assert are relevant in light of the allegations made; and
- (c) state in short and plain terms your defenses to each allegation in the Amended Order to Show Cause, including affirmative defenses, that were applicable at the time of the conduct (including exemptions or exceptions contained within the Utah Uniform Securities Act).

Your response, 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
Utah Division of Securities
160 E. 300 South, 2nd Floor
Box 146760
Salt Lake City, UT 84114-6760
(801) 530-6600

A copy to:

Jeff Buckner
Assistant Attorney General
160 East 300 South, 5th Floor
Salt Lake City, UT 84114-0872
(801) 366-0310

An initial hearing in this matter has been set for February 2, 2010 at the Division of

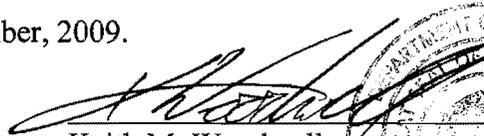
Securities, 2nd Floor, 160 East 300 South, Salt Lake City, Utah, at 9:00 A.M.

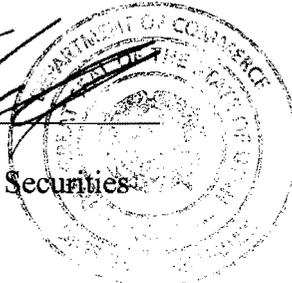
If you fail to file a response, as described above, or fail to appear at any hearing that is set, the presiding officer may enter a default order against you without any further notice. Utah Code Ann. § 63G-4-209; Utah Admin. Code R151-46b-10(11). After issuing the default order, the presiding officer may grant the relief sought against you in the Amended Order to Show Cause, and will conduct any further proceedings necessary to complete the adjudicative proceeding without your participation and will determine all issues in the proceeding. Utah Code Ann. § 63G-4-209(4); Utah Admin. Code R151-46b-10(11)(b). In the alternative, the Division may proceed with a hearing under § 63G-4-208.

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. This adjudicative proceeding will be heard by Mr. Eklund and the Utah Securities Commission. You may appear and be heard and present evidence on your behalf at any such hearings.

You may attempt to negotiate a settlement of the matter without filing a response or proceeding to hearing. To do so, please contact the Utah Securities Division. Questions regarding the Amended Order to Show Cause should be directed to the Division's attorney, Jeff Buckner, at (801) 366-0310.

Dated this 20nd day of December, 2009.

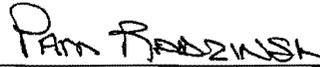

Keith M. Woodwell
Director, Division of Securities



Certificate of Mailing

I certify that on the 23rd day of December, 2009, I mailed, by certified mail, a true and correct copy of the Notice of Agency Action and Amended Order to Show Cause to:

David Burns Stayner/Secured Loan Fund, LLC/ Secured Loan Fund II, LLC
c/o Doug E. Griffith
Kesler & Rust
68 South Main Street, 2nd Floor
Salt Lake City, Utah 84101
Certified Mail #7009008000002842466



Executive Secretary