

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:**

**NATURAL LAW DYNAMICS, LLC  
THOMAS DELON DYCHES,**

**Respondents.**

**ORDER TO SHOW CAUSE**

Docket No. SS-10-0009

Docket No. SS-10-0010

It appears to the Director of the Utah Division of Securities (Director) that Natural Law Dynamics, LLC and Thomas Delon Dyches 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. Natural Law Dynamics, LLC (NLD) is a Utah limited liability company, registered October 16, 2006. Dyches is the manager and registered agent for NLD. NLD has never been licensed by the Division as a broker/dealer agent nor an issuer/agent to sell securities.
3. Thomas Delon Dyches (Dyches) was, at all relevant times, a resident of Washington County, Utah. Dyches has never been licensed as a broker-dealer, agent, investment advisor, or investment advisor representative in Utah.

### **GENERAL ALLEGATIONS**

4. From approximately late 2006 to July 2007, Respondents offered and sold securities to two groups of investors, in or from Utah, and collected a total of \$260,000.
5. Dyches made material misrepresentations and omissions in connection with the offer and sale of securities to the investors below.
6. The investors lost \$236,000 in principal alone.

### **INVESTORS TG AND BG, A MARRIED COUPLE**

7. TG met Dyches in late 2006 at a karate class TG's son attended with Dyches' daughter.
8. TG asked Dyches what he did for work that allowed him to take so much time off to

attend karate classes. Dyches said he was the president of a “group” called Producer Revolution, which was a forum for individuals to talk about wealth and prosperity. Dyches claimed he could help TG invest her money.

9. Dyches offered to set up a meeting with TG to talk about investing money with Dyches.
10. In March or April 2007, TG and BG met with Dyches in St. George, Utah. During the meeting, Dyches said he was partnered with his brother, Troy Dyches, who was working with someone named Rick Koerber (Koerber).
11. Dyches made the following representations:
  - a. He and his wife had been investing and finding ways to build wealth for three years;
  - b. He worked with the Boardwalk Group (Boardwalk), a firm from which BG and TG had purchased life insurance;
  - c. If BG and TG invested with NLD, their investment funds would go to one of three opportunities:
    - i. Natural Law College, which would be built to teach students principles of Producer Revolution;
    - ii. Boardwalk Group, which would make hard money loans at 50% interest and pay BG and TG a portion of that interest;
    - iii. Dyches’ brother, Troy, who was working with Koerber and Franklin

Squires. Dyches said the money would be invested in a fund called American Founders Fund or Founders Capital.

- d. He would pay investors 36% per year on their funds and would pay 3% per month beginning eight weeks after receiving investment funds because it would take time to get the money working;
  - e. The more money BG and TG invested with NLD, the more money they would make;
  - f. He and his wife had invested for over three years, and they never had a problem receiving interest payments every month nor did they “worry about money anymore;”
  - g. He did not see anything that could go wrong with the investment;
  - h. He had received returns as high as 5% per month working with his brother, who was doing “equity milling,<sup>1</sup>” and Boardwalk who was doing “hard-money lending<sup>2</sup>.”
12. When asked by BG and TG how the investment would be guaranteed, Dyches said that they would have to “trust.”

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<sup>1</sup>“Equity milling” is a term, loosely used to describe a means of generating cash to make an investment.

<sup>2</sup>A short-term loan, similar to a bridge loan, made in anticipation of long-term financing. Hard money loans are typically issued by private investors at a much higher interest rate than conventional loans regardless of the credit score of the borrower.

13. Dyches said he would sign a one-year term promissory note, yielding 36%, to secure the investment.
14. Based on Dyches' representations, BG and TG decided to invest \$200,000 through NLD.
15. On May 03, 2007, BG signed a \$100,000 promissory note to NLD as the lender. Dyches signed the same note as the borrower on behalf of NLD. The note stated the following:
  - a. Principal amount is \$100,000;
  - b. Interest rate on the note will be 36%;
  - c. Payments will be mailed out on the 20<sup>th</sup> of each month;
  - d. Borrower will pay this loan annually, upon maturation of the investment, with principal and accrued interest in its entirety;
  - e. The term of the note is one year.
16. BG and TG were not provided disclosure documents prior to their May 2007 investment.
17. Following the May 3 meeting, TG went to a Wells Fargo Bank in St. George, Utah and executed two \$50,000 intra-bank transfers to NLD's Wells Fargo Bank account, for which Dyches had signatory authority.
18. Bank records reveal that, on May 3, 2007, Dyches withdrew \$95,000 from NLD's Wells Fargo account and, on May 4, 2007, Dyches deposited \$95,000 into a Wells Fargo account controlled by Dyches' brother, Troy.
19. BG and TG obtained a mortgage loan secured by real property they owned in Maine and

subsequently arranged a meeting with Dyches in St. George, Utah on June 6, 2007.

20. At the June 6 meeting, BG signed another \$100,000 promissory note as the lender and Dyches signed as the borrower. This note was identical to the note referenced in Paragraph 15.
21. Following this meeting, TG called Guaranty Bank and transferred \$91,000 from her account at Guaranty Bank to NLD's account with Wells Fargo Bank. The next day, TG visited a Wells Fargo Bank branch in St. George, Utah, and transferred \$9,000 from her Wells Fargo Bank account to NLD's Wells Fargo Bank account.
22. Bank records reveal that on June 5, 2007, TG deposited \$91,000 into NLD's Wells Fargo account. On June 6, 2007, TG deposited \$9,000 into NLD's Wells Fargo account.
23. On June 5, 2007, Dyches transferred \$91,000 to his brother, Troy's Wells Fargo account that was referenced in Paragraph 17.
24. BG and TG were not provided disclosure documents prior to their June 6 investment.
25. BG and TG received the following interest payments on the notes:
  - a. \$3,000 on or about July 20, 2007, representing an interest payment for the May 3 note;
  - b. \$6,000 on or about August 20, 2007, representing an interest payment for both the May 3 note and the June 6 note;
  - c. \$6,000 on or about September 20, 2007, representing an interest payment for both

the May 3 note and the June 6 note.

26. BG and TG received no further payments from Dyches.

INVESTORS JS AND KS, A MARRIED COUPLE

27. In April 2007, JS learned of investment opportunities through NLD through mutual friends who had invested with NLD through Dyches.
28. JS telephoned Dyches and scheduled a meeting.
29. At the end of April 2007, JS and KS met at Dyches' office in St. George, Utah.
30. Dyches made the following representations about an investment opportunity with NLD:
- a. An investor would receive monthly interest payments equal to 3% of their investment principal;
  - b. If JS and KS invested they would be given a promissory note;
  - c. Dyches' brothers worked for a company called Franklin Squires in Utah County;
  - d. Dyches would give JS and KS's investment principal to Dyches' brothers to invest in Franklin Squires;
  - e. Franklin Squires would generate profits using a process Dyches referred to as "equity milling;"
  - f. Dyches would provide JS and KS with monthly reports detailing the use and location of their investment monies; and
  - g. JS and KS could lose their investment principal depending upon the performance

of the real estate market.

31. Subsequent to the April 2007 meeting, JS contacted Dyches several times on the telephone to get more information about the investment opportunity. During these telephone conversations Dyches said the following:
  - a. The minimum investment amount was \$50,000;
  - b. Any money invested would be illiquid for the period of one year;
  - c. JS and KS's investment funds could be moved into a number of real estate holding funds;
  - d. JS and KS's monthly statements would identify in which funds their investment funds were invested;
  - e. The investment was risky because the real estate market could "turn;"
  - f. If JS and KS's principal was lost Dyches would do anything he could to get it back; and
  - g. Dyches would receive 1% per month commission on their investment.
32. In May 2007, JS learned that Koerber was under investigation for investment-related misconduct. When JS confronted Dyches about Koerber's investigation, Dyches said the investigation had nothing to do with JS and KS's investment or Franklin Squires' investment methods.
33. Dyches did not provide JS or KS with a prospectus or other written disclosure statement.

34. On or about July 12, 2007, JS delivered a \$60,000 cashier's check to NLD's office in St. George, Utah. JS gave the check to Dyches and in return Dyches gave JS a promissory note.
35. Bank records reveal that on July 12, 2007, Dyches deposited JS's \$60,000 cashier's check into NLD's Wells Fargo account. On July 18, 2007, NLD's account was charged \$55,000 for a bank originated debit. Later that day, \$55,000 was deposited into Dyches' brother's Wells Fargo account.
36. JS and KS received \$1,800 interest payments from NLD in September 2007, October 2007, November 2007, December 2007, and January 2008.
37. JS and KS received no further payments from Dyches. When confronted about nonpayment, Dyches said nonpayment was due to the controversy surrounding Franklin Squires and to the real estate market performing poorly.

#### **CAUSES OF ACTION**

#### **COUNT I**

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

38. The Division incorporates and re-alleges paragraphs 1 through 37.
39. The investment opportunities offered and sold by Respondents are securities under § 61-1-13 of the Act.
40. 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. That Dyches would provide investors with monthly reports detailing the use and location of their investment monies when in fact Dyches did not do so;
  - b. That Dyches did not see anything that could go wrong with the investment opportunity offered to BG and TG;
  - c. That the promissory notes offered by Dyches to the investors paid an interest rate of 36% per year;
  - d. Contradicting claims that payments would be mailed out on the 20<sup>th</sup> of each month and that payment would be made annually.
41. 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. Some or all of the information typically provided in an offering circular or prospectus regarding NLD, such as:
    - i. The business and operating history for Dyches, NLD, Dyches' brother, Franklin Squires, or Koerber;
    - ii. Risk factors for investors;
    - iii. The number of other investors;
    - iv. Whether the investment is a registered security or exempt from registration; and

- v. Whether Dyches was licensed to sell securities.
- b. Koerber filed for Chapter 7 bankruptcy protection in September 2001;
- c. On November 22, 2000, Koerber entered into a stipulated order with the Wyoming Division of Securities for selling unregistered securities, employing unlicensed agents, and committing securities fraud;<sup>3</sup>
- d. Dyches was selling securities which were not registered;
- e. Dyches was not licensed to sell securities.
- f. NLD was not registered as a broker-dealer.

**COUNT II**  
**Sale of an Unregistered Security under § 61-1-7 of the Act**  
**(The Respondents)**

- 42. The Division incorporates and re-alleges paragraphs 1 through 37.
- 43. The investment opportunities offered and sold by Respondents are securities under § 61-1-13 of the Act.
- 44. The securities were offered and sold in this state.
- 45. The securities were not registered under the Act, and Respondents did not file any claim of exemption relating to the securities.
- 46. Based on the above information, NLD and Dyches violated § 61-1-7 of the Act.

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<sup>3</sup>*National Business Solutions, LLC and C. Rick Koerber, Case #00-04.*

**COUNT III**  
**Sale by an Unlicensed Agent under § 61-1-3 of the Act**  
**(Thomas Delon Dyches)**

47. The Division incorporates and re-alleges paragraphs 1 through 37.
48. Dyches offered or sold securities in Utah.
49. When offering and selling these securities on behalf of NLD, Dyches was acting as an agent of an issuer.
50. Dyches has never been licensed to sell securities in Utah as an agent of this issuer, or any other issuer.
51. Based on the above information, Dyches violated § 61-1-3(1) of the Act.

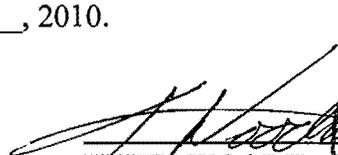
**ORDER**

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, April 6, 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, 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 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 \$260,000 to the Division of Securities, which may be reduced by restitution paid to the investors.

DATED this 1st day of March, 2010.

  
KEITH WOODWELL  
Director, Utah Division of Securities



Approved:

  
JEFF BUCKNER  
Assistant Attorney General

J. G.

Division of Securities  
Utah Department of Commerce  
160 East 300 South, 2<sup>nd</sup> Floor  
Box 146760  
Salt Lake City, UT 84114-6760  
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**BEFORE THE DIVISION OF SECURITIES  
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**IN THE MATTER OF:**

**NATURAL LAW DYNAMICS, LLC  
THOMAS DELON DYCHES,**

**Respondents.**

**NOTICE OF AGENCY ACTION**

Docket No. SD-10-0009  
Docket No. SD-10-0010

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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 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 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, 2<sup>nd</sup> Floor  
Box 146760  
Salt Lake City, UT 84114-6760  
(801) 530-6600

**A copy to:**

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

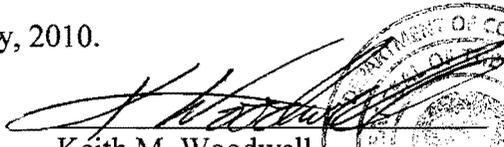
An initial hearing in this matter has been set for April 6, 2010 at the Division of Securities, 2<sup>nd</sup> Floor, 160 East 300 South, Salt Lake City, Utah, at 9:00 A.M.

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 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 Order to Show Cause should be directed to the Division's attorney, Jeff Buckner, at (801) 366-0310.

Dated this 1<sup>st</sup> day of <sup>March</sup>~~February~~, 2010.

  
Keith M. Woodwell  
Director, Division of Securities



**Certificate of Mailing**

I certify that on the 1st day of ~~February~~ <sup>March</sup>, 2010, I mailed, by certified mail, a true and correct copy of the Notice of Agency Action and Order to Show Cause to:

Natural Law Dynamics, LLC

Thomas Delon Dyches

276 N. Duck Springs Dr.

Moroni, UT 84646

Certified Mail # 7009 2820 0001 25924970

  
Executive Secretary