

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:**

**ROBERT AARON BREEDLOVE,**

**Respondent.**

**ORDER TO SHOW CAUSE**

Docket No. 041-004

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It appears to the Director of the Utah Division of Securities (Director) that Robert Aaron Breedlove has 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 Respondent and the subject matter is appropriate because the Division alleges that he 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 RESPONDENT**

2. Robert Aaron Breedlove (Breedlove) was, at all relevant times, a resident of the state of Utah. Breedlove has never been licensed as a broker-dealer, agent, or as an investment adviser representative in Utah.

### **GENERAL ALLEGATIONS**

3. In April 2007, Breedlove offered and sold securities to at least two investors, in or from Utah, and collected a total of \$50,000.
4. Breedlove made material misstatements and omissions in connection with the offer and sale of a security to the investors below.
5. The investors lost approximately \$50,000 of their investment funds.

### **INVESTORS L.M. AND M.M. (HUSBAND AND WIFE).**

6. In 2006, L.M. and M.M. met Breedlove at a barbeque in Utah.
7. Later that year, L.M. and M.M. met Brad Dangerfield (Dangerfield) and Sam Mahana (Mahana) at an investors' meeting in Salt Lake City, Utah.
8. In April 2007, L.M. and M.M. attended the Nouveau Riche College in Phoenix, Arizona and incidentally met with Dangerfield and Mahana.
9. Dangerfield and Mahana told L.M. and M.M. they wanted to discuss an investment opportunity with them. L.M. and M.M. agreed to meet with Dangerfield and Mahana to

discuss the investment.

10. L.M. and M.M. later met twice in Phoenix, Arizona with Dangerfield and Mahana to discuss a potential investment.
11. During the first meeting, Dangerfield and Mahana made the following statements about a potential investment:
  - a. Dangerfield and Mahana were finding money for Breedlove;
  - b. Breedlove needed investment funds to rent<sup>1</sup> money from a man he knew in California;
  - c. Breedlove would use the rented money to buy AAA bonds from his Italian contact and then turn around and sell them quickly for a profit;
  - d. L.M. and M.M.'s principal was guaranteed to be returned; and
  - e. L.M. and M.M. would receive their principal back within two weeks.
12. During the second meeting, only M.M. met with Dangerfield and Mahana. Dangerfield and Mahana made the following statements about a potential investment with Breedlove:
  - a. The investment was really safe;
  - b. The investment was similar to putting money down on a house;
  - c. The investment would buy AAA bonds and AA bonds;

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<sup>1</sup>In return for a \$50,000 fee, the man from California would give Breedlove \$1 million for a limited amount of time. During that time, Breedlove intended to use the \$1 million to invest and make a profit before having to return the original \$1 million.

- d. A \$50,000 investment would turn into \$1 million;
  - e. The investment was through Breedlove; and
  - f. If they wanted to invest the money, they had a week to do so.
13. Shortly after the second meeting, M.M. called and spoke with Breedlove. Breedlove told her he was in Utah at the time of the conversation.
14. During the conversation, Breedlove made the following statements about a potential investment with him:
- a. It was very safe and L.M. and M.M. would not lose their principal;
  - b. The investment would pay a high return with no risk to the principal;
  - c. Although L.M. and M.M. would not lose their principal, Breedlove could not guarantee that they would earn a return on investment;
  - d. The investment was in AAA bonds and AA bonds;
  - e. Breedlove would buy the bonds through a man in Italy he had met through Breedlove's father;
  - f. The Italian contact oversaw several banks in Italy and had many "connections;"
  - g. The man in California, from whom they would be renting the money, was a high ranking member of the same church as L.M. and M.M.;
  - h. L.M. and M.M. would get their investment funds back with a return within two weeks; and

- i. Breedlove had invested \$50,000 of his own money.
15. On April 9, 2007, M.M. received an e-mail from Breedlove stating that he “just wanted to let [them] know for even more peace of mind, that this is a federal reserve compliant trade program that we are going into.”
16. Based on Breedlove’s statements, L.M. and M.M. invested \$50,000 with Breedlove.
17. On April 9, 2007, L.M. and M.M. wire transferred \$50,000 to Breedlove’s Washington Mutual bank account in Utah County, Utah.
18. On April 19, 2007, Breedlove e-mailed to L.M. and M.M. a Promissory Installment Note. The note was for \$50,000 and contained the signature of Breedlove.
19. Following the investment, Breedlove gave L.M. and M.M. constant updates on account balances along with excuses for the delay in receiving returns.
20. In March 2008, L.M. and M.M. met with Breedlove and Mahana in Utah County, Utah and requested their principal back. Breedlove told them the funds were spent and L.M. and M.M. would not be receiving their principal back.
21. Breedlove still owes L.M. and M.M. \$50,000 in principal alone.

**CAUSES OF ACTION**

**COUNT I**

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

22. The Division incorporates and re-alleges paragraphs 1 through 21.
23. The investment opportunities offered and sold by Breedlove are securities under § 61-1-13

of the Act.

24. In connection with the offer and sale of a security to the investors, Breedlove, directly or indirectly, made false statements, including, but not limited to, the following:
  - a. L.M. and M.M. will not lose their investment funds;
  - b. The investment was a “federal reserve compliant trade program,” when in fact, Breedlove had no reasonable basis for making such a statement; and
  - c. The investment would pay out high returns with no risk to principal.
  
25. In connection with the offer and sale of a security to the investors, Breedlove, directly or indirectly, failed to disclose material information, including, but not limited to, the following, which was necessary in order to make statements made not misleading:
  - a. How the investment would provide high returns with no risk to principal;
  - b. L.M. and M.M.’s funds would be sent to Stubbs, Alderton, & Markiles, LP<sup>2</sup>;
  - c. Some or all of the information typically provided in an offering circular or prospectus regarding Breedlove, such as:
    - i. Financial statements;
    - ii. Risk factors;
    - iii. Suitability factors for the investment;
    - iv. Track record to investors;

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<sup>2</sup>Stubbs, Alderton, & Markiles, LP is a business law firm based in Los Angeles, CA.

- v. Breedlove's business experience and operating history;
- vi. Nature of competition;
- vii. Whether the investment is a registered security or exempt from registration;  
and
- viii. Whether Breedlove was licensed to sell securities.

### **ORDER**

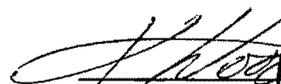
The Director, pursuant to § 61-1-20 of the Act, hereby orders Respondent to appear at a formal hearing to be conducted in accordance with Utah Code Ann. §§ 63G-4-202, -204 through -208, and held before the Utah Division of Securities. The hearing will occur on Wednesday, April 6, 2011, at 9:00 a.m., 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 Respondent fails to file an answer and appear at the hearing, the Division of Securities may hold Respondent in default, and a fine may be imposed in accordance with Utah Code Ann. § 63G-4-209. In lieu of default, the Division may decide to proceed with the hearing under § 63G-4-208. At the hearing, Respondent may show cause, if any they have:

- a. Why Respondent should not be found to have engaged in the violations alleged by the Division in this Order to Show Cause;
- b. Why Respondent 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; and

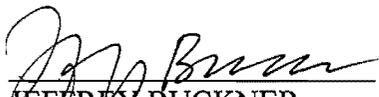
- c. Why Respondent should not be ordered to pay to the Division a fine amount to be determined by stipulation or by the presiding officer after a hearing in accordance with the provisions of Utah Admin. Rule R164-31-1, which may be reduced by restitution paid to the investors.

DATED this 1<sup>st</sup> day of March, 2011.

  
KEITH WOODWELL  
Director, Utah Division of Securities



Approved:

  
JEFFREY BUCKNER  
Assistant Attorney General  
J.S.

Division of Securities  
Utah Department of Commerce  
160 East 300 South, 2<sup>nd</sup> Floor  
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**IN THE MATTER OF:**

**ROBERT AARON BREEDLOVE,**  
  
**Respondent.**

**NOTICE OF AGENCY ACTION**

Docket No. SDH-0014

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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 Julie Price  
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

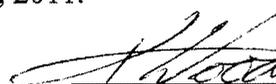
An initial hearing in this matter has been set for April 6, 2011 at the Division of Securities, 2<sup>nd</sup> Floor, 160 East 300 South, Salt Lake City, Utah, at 9:00 A.M.

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 Angela Hendricks, Utah Department of Commerce, 160 East 300 South, P.O. Box 146701, Salt Lake City, UT 84114-6701, telephone (801) 530-6035. This adjudicative proceeding will be heard by Ms. Hendricks 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 March, 2011.

  
KEITH WOODWELL  
Director, Division of Securities

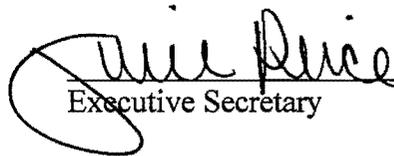


**Evidence of Mailing**

I certify that on the 1<sup>st</sup> day of March, 2011, I mailed a true and correct copy of the Notice of Agency Action and Order to Show Cause to:

Robert Aaron Breedlove  
2104 W. 2180 N.  
Lehi, UT 84043

Certificate # 7008 1140 0000 11042 1210

  
Executive Secretary