

Division of Securities  
Utah Department of Commerce  
160 East 300 South  
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.**

**STIPULATION AND CONSENT  
ORDER**

**Docket No. SD-11-0014**

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The Utah Division of Securities (the Division), by and through its Acting Director of Enforcement, Thomas Brady, and Robert Aaron Breedlove, hereby stipulate and agree as follows:

1. Robert Aaron Breedlove (Breedlove) was the subject of an investigation conducted by the Division into allegations that he violated certain provisions of the Utah Uniform Securities Act (the Act), Utah Code Ann. § 61-1-1, *et seq.*, as amended.
2. In connection with that investigation, the Division issued an Order to Show Cause against Respondent on March 1, 2011, alleging securities fraud. Criminal charges were also filed

against Breedlove<sup>1</sup>, in connection with the investigation.

3. On April 3, 2011, Respondent filed a motion to stay the administrative proceedings pending resolution of the criminal proceedings. The Division did not oppose the motion and the motion was granted on April 11, 2011. By way of this stipulation and consent order the administrative stay is lifted.
4. Respondent waives any right to a hearing to challenge the Division's evidence and present evidence on his behalf. Respondent understands that by waiving a hearing that he is waiving the requirement that the Division prove the allegations against him by a preponderance of evidence, waiving his right to confront and cross-examine witnesses who may testify against him, to call witnesses on his own behalf, and any and all rights to appeal the findings, conclusions and sanctions set forth in this Stipulation and Consent Order.
5. Respondent acknowledges that this agreement does not affect any enforcement action that might be brought by a criminal prosecutor or any other local, state, or federal enforcement authority.
6. Respondent admits the jurisdiction of the Division over him and over the subject matter of this action.

## **I. THE DIVISION'S FINDINGS OF FACT**

### **THE RESPONDENT**

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<sup>1</sup>*State of Utah v. Robert Aaron Breedlove*, Case No. 111400923, Fourth Judicial District Court of Utah (2011). Breedlove later pleaded guilty to one count of securities fraud, a second degree felony on June 13, 2011. Breedlove agreed to a restitution order of \$60,075.

7. Breedlove was, at all relevant times, a resident of the state of Utah. Breedlove has never been licensed in the securities industry in any capacity.

#### **GENERAL ALLEGATIONS**

8. In April 2007, Breedlove offered and sold promissory notes to at least two investors, in or from Utah, and collected a total of \$50,000.
9. Promissory notes are securities under § 61-1-13.
10. Breedlove made material misstatements and omissions in connection with the offer and sale of a security to the investors below.
11. The investors lost approximately \$50,000 of their investment funds.

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

12. In 2006, L.M. and M.M. met Breedlove at a barbeque in Utah.
13. 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.
14. In April 2007, L.M. and M.M. attended the Nouveau Riche College in Phoenix, Arizona and incidentally met with Dangerfield and Mahana.
15. 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.
16. L.M. and M.M. later met twice in Phoenix, Arizona with Dangerfield and Mahana to discuss a potential investment.

17. 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>2</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.
18. 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;
  - 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.
19. Shortly after the second meeting, M.M. called and spoke with Breedlove. Breedlove told her

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<sup>2</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.

he was in Utah at the time of the conversation.

20. 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.
21. 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."
22. Based on Breedlove's statements, L.M. and M.M. invested \$50,000 with Breedlove.

23. On April 9, 2007, L.M. and M.M. wire transferred \$50,000 to Breedlove's Washington Mutual bank account in Utah County, Utah.
24. 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.
25. Following the investment, Breedlove gave L.M. and M.M. constant updates on account balances, along with excuses for the delay in receiving returns.
26. 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.
27. Breedlove still owes L.M. and M.M. \$50,000 in principal alone.

#### **SECURITIES FRAUD**

28. In connection with the offer and sale of a security, Respondent, 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.
29. In connection with the offer and sale of a security, Respondent, 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>3</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;
  - v. Breedlove's business experience and operating history;
  - vi. Whether the investment was a registered security or exempt from registration;and
  - vii. Whether Breedlove was licensed to sell securities.

## **II. THE DIVISION'S CONCLUSIONS OF LAW**

30. Based on the Division's investigative findings, the Division concludes that:
- a. The investment opportunities offered and sold by Respondent were promissory notes;
  - b. Promissory notes are securities under § 61-1-13 of the Act;
  - c. Respondent violated § 61-1-1 of the Act by making misstatements of material facts and by omitting to state material facts in connection with the offer and sale of a security.

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<sup>3</sup>Stubbs, Alderton, & Markiles, LP is a business law firm based in Los Angeles, CA.

### III. REMEDIAL ACTIONS/SANCTIONS

31. Respondent Breedlove admits the Division's findings and conclusions and consents to the sanctions below being imposed by the Division.
32. Respondent Breedlove represents that any information he provided to the Division as part of the Division's investigation of this matter is accurate.
33. Respondent Breedlove agrees to the imposition of a cease and desist order, prohibiting him from any conduct that violates the Act.
34. Respondent Breedlove agrees that he will be barred from (i) associating<sup>4</sup> with any broker-dealer or investment adviser licensed in Utah; (ii) acting as an agent for any issuer soliciting investor funds in Utah, and (iii) from being licensed in any capacity in the securities industry in Utah.
35. Respondent Breedlove agrees to cooperate with the Division, the State of Utah, and the Federal Government in any future investigations and/or prosecutions relevant to the matter herein.
36. Respondent Breedlove agrees to pay restitution as ordered in the criminal case, *State of Utah v. Robert Aaron Breedlove*, Case No. 111400923, Fourth Judicial District Court of Utah (2011).

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<sup>4</sup> "Associating" includes, but is not limited to, acting as an agent of, receiving compensation directly or indirectly from, or engaging in any business on behalf of a broker-dealer, agent, investment adviser, or investment adviser representative licensed in Utah. "Associating" does not include any contact with a broker-dealer, agent, investment adviser, or investment adviser representative licensed in Utah incidental to any personal relationship or business not

#### **IV. FINAL RESOLUTION**

37. Respondent acknowledges that this Stipulation and Consent Order, upon approval by the Securities Commission shall be the final compromise and settlement of this matter.
38. Respondent further acknowledges that if the Securities Commission does not accept the terms of the Stipulation and Consent Order, it shall be deemed null and void and without any force or effect whatsoever.
39. Respondent acknowledges that the Stipulation and Consent Order does not affect any civil or arbitration causes of action that third-parties may have against them arising in whole or in part from their actions, and that the Stipulation and Consent Order does not affect any criminal causes of action that may arise as a result of their conduct referenced herein.
40. The Stipulation and Consent Order constitutes the entire agreement between the parties herein and supersedes and cancels any and all prior negotiations, representations, understandings, or agreements between the parties. There are no verbal agreements which modify, interpret, construe, or otherwise affect the Order in any way.

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related to the sale or promotion of securities or the giving of investment advice in the State of Utah.

Utah Division of Securities

Date: 5/14/2012

By: Thomas A. Brady  
Thomas A. Brady  
Acting Director or Enforcement

Respondent Breedlove

Date: 4/20/12

By: Robert A. Breedlove  
Robert Aaron Breedlove

Approved:

D. Scott Davis

D. Scott Davis  
Assistant Attorney General  
J.S.

**ORDER**

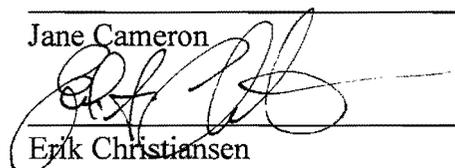
IT IS HEREBY ORDERED THAT:

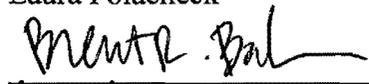
1. The Division has made a sufficient showing of Findings of Fact and Conclusions of Law to form a basis for this settlement.
2. Respondent Breedlove cease and desist from violating the Utah Uniform Securities Act.
3. Respondent Breedlove agrees to be barred from the securities industry in Utah.
4. Respondent Breedlove cooperate with the Division in any future investigations.
5. Respondent Breedlove agrees to pay restitution as ordered in the criminal case, *State of Utah v. Robert Aaron Breedlove*, Case No. 111400923, Fourth Judicial District Court of Utah (2011).

**BY THE UTAH SECURITIES COMMISSION:**

DATED this 31 day of May, 2012.

  
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Tim Bangerter

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Jane Cameron  
  
\_\_\_\_\_  
Erik Christiansen

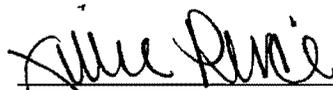
  
\_\_\_\_\_  
Laura Polacheck  
  
\_\_\_\_\_  
Brent Baker

**CERTIFICATE OF MAILING**

I, Julie Price, hereby certify that on the 4th day of June 2012, I mailed, by certified mail,  
a true and correct copy of the forgoing **Stipulation and Consent Order** to:

Robert Breedlove  
7348 South 1600 West  
Spanish Fork, UT 84660

Certified Receipt #: 7007 0220 0001 0063 6363



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Julie Price  
Administrative Secretary