

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:**

**DOUGLAS K. RAWLINSON**

**Respondent.**

**STIPULATION AND CONSENT  
ORDER**

Docket No. SD-07-0083

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The Utah Division of Securities (the Division), by and through its Director of Enforcement, Michael Hines, and Douglas K. Rawlinson (Rawlinson or Respondent) hereby stipulate and agree as follows:

1. Douglas K. Rawlinson was the subject of an investigation conducted by the Division into allegations that Rawlinson violated certain provisions of the Utah Uniform Securities Act (the Act), Utah Code Ann. § 61-1-1, et seq, as amended.
2. Rawlinson and the Division have agreed to settle this matter by way of this Stipulation and Consent Order (Consent Order).

3. Rawlinson is represented by attorney Chris Beins and is satisfied with the representation he has received.
4. Rawlinson admits the jurisdiction of the Division over Rawlinson and over the subject matter of this action.
5. Rawlinson waives any right to a hearing to challenge the Division's evidence and present evidence on Rawlinson's behalf.

#### THE DIVISION'S INVESTIGATIVE FINDINGS

From January 2004 through the present, the Division has been conducting an investigation into this matter revealing:

6. Douglas K. Rawlinson resides in Box Elder County, Utah.
7. Rawlinson was the bookkeeper for the Beverly Hills Development Corporation (Beverly Hills), and its owner and operator Michael Fitzgerald.
8. Between January 2002 and July 2003, Rawlinson introduced five Utah residents to the investment in Beverly Hills. These five investors spoke to Rawlinson, and nobody else, regarding the investment opportunity, prior to investing.
9. Rawlinson maintains that he received no commissions from Beverly Hills or Michael Fitzgerald for introducing the five Utah investors, and that he was only paid for his bookkeeping services.

10. Rawlinson told investors they could make their investment checks payable to Doug Rawlinson, and he would make sure their money was invested with Beverly Hills and Michael Fitzgerald.
11. With the exception of one investment by Utah investor JB, it appears that Rawlinson did forward investor funds to Michael Fitzgerald.
12. Investor JB first met Rawlinson sometime in the first half of 2003 in Box Elder County, Utah, when Rawlinson was giving JB's son karate lessons.
13. Rawlinson would stop by JB's home in Box Elder County every few weeks to visit.
14. JB had heard about the investment opportunity in Beverly Hills from his neighbors and asked Rawlinson about it, because JB heard that Rawlinson worked for Michael Fitzgerald.
15. Rawlinson told JB the following regarding the investment in Beverly Hills:
  - a. That is was a really good investment depending upon how much you could invest;
  - b. That Beverly Hills built million-dollar homes in Southern California for the wealthy and was doing very well;
  - c. That JB would receive interest of 12% annually;
  - d. That JB could get his investment back anytime after 6 months, as long as JB gave them 30 days notice; and

- e. If Beverly Hills failed to pay JB back, Beverly Hills would be responsible for any attorney fees expended to get JB's money back.
- 16. In July 2003, Rawlinson went to JB's home and told JB that Michael Fitzgerald would accept JB's investment.
- 17. On July 24, 2003, JB invested \$20,000 in Beverly Hills, by personal check. Rawlinson instructed JB to make the check payable to Doug Rawlinson.
- 18. On the same day, Rawlinson brought JB a Beverly Hills promissory note, in the amount of \$20,000, with interest of 12% per year. The note appears to have been signed by Michael Fitzgerald on behalf of Beverly Hills.
- 19. On July 24th or 25th, 2003, Rawlinson deposited JB's \$20,000 investment into Rawlinson Mortgage's account, bringing the balance to \$22,168.79. On or about the same day as the deposit, Rawlinson wrote a check for \$10,000 from the same account to pay a prior investor, clearly using a large portion of JB's investment funds.
- 20. After JB invested, Rawlinson only stopped by when he was bringing JB an interest payment.
- 21. JB received a total of five interest payments (total of \$1,000) on his Beverly Hills investment, all of which he received from Rawlinson in the form of check from Rawlinson Mortgage.

22. In January 2004, when JB heard that Beverly Hills and Michael Fitzgerald were under investigation by the Utah Division of Securities, JB immediately requested that his investment be returned.
23. Rawlinson told JB that it would not be a problem.
24. On February 25, 2004, at the end of the 30 days notice, JB went to Rawlinson's office in Box Elder County and requested his investment funds.
25. Rawlinson asked JB to give him 30 more days to pay JB back. Rawlinson said Beverly Hills was selling property to pay some of the investors.
26. After another 30 days went by, JB went back to Rawlinson's office to request his money. Rawlinson told JB that Beverly Hills did not yet have the money to pay him back.
27. In November 2004, pursuant to Plea in Abeyance in State v. Fitzgerald, Fourth District Court, Utah County, Case No. 041404309, Michael Fitzgerald was ordered to pay back all Beverly Hills investors, and JB and the other investors introduced by Rawlinson are all included on Fitzgerald's restitution list. Fitzgerald is scheduled to be sentenced on June 2, 2008.
28. In April or May 2006, JB received \$1,194.45 from the Michael Fitzgerald Protective Trust, which was created by Michael Fitzgerald to pay back Utah investors, and is supervised by a court-appointed receiver.

29. As of today's date, JB is still owed \$17,805.55 in principal alone from his investment in Beverly Hills.

Securities Fraud

30. In connection with the offer and sale of a security to Utah investors, Rawlinson made false statements, including, but not limited to, the following:

- a. Beverly Hills was a good investment and the company was doing well.
- b. Investor money would be invested in Beverly Hills, when in fact, a portion of JB's money was used by Rawlinson to pay a prior investor.
- c. Investors would receive 12% annual interest on their investment.
- d. Investors could get their money back as long as Beverly Hills was given 30 days notice.

31. In connection with the offer and sale of securities to investors, Rawlinson failed to disclose material information to investors, 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 Beverly Hills, such as:
  - i. The business and operating history for Beverly Hills;
  - ii. Identities of Beverly Hills' principals along with their experience in real estate development;

- iii. Beverly Hills' financial statements;
- iv. The market for the product of Beverly Hills;
- v. The nature of the competition for the product;
- vi. Current capitalization of Beverly Hills;
- vii. A description of how the investment would be used by the business;
- viii. Beverly Hills' past performance for its investors;
- ix. Risk factors for investors;
- x. The number of other investors;
- xi. The minimum capitalization needed to participate in the investment;
- xii. The disposition of any investments received if the minimum capitalization were not achieved;
- xiii. The liquidity of the investment;
- xiv. Discussion of pertinent suitability factors for the investment;
- xv. The proposed use of the investment proceeds;
- xvi. Any conflicts of interest the issuer, the principals, or the agent may have with regard to the investment;
- xvii. Agent commissions or compensation for selling the investment;
- xviii. Whether the investment is a registered security or exempt from registration; and

- xix. Whether the person selling the investment was licensed.

THE DIVISION'S CONCLUSIONS

32. Based on the Division's investigative findings, the Division concludes that:
- a. The promissory notes offered and sold by Rawlinson are securities under § 61-1-13 of the Act; and
  - b. Rawlinson violated § 61-1-1 of the Act by making misrepresentations of material fact and omitting to state material facts in connection with the offer and sale of a security.
33. Rawlinson admits the substance of the Division's investigative conclusions and consents to the Division entering an Order:
- a. Requiring Rawlinson to cease and desist from engaging in any further conduct in violation of the Utah Securities Act.
  - b. Requiring Rawlinson to pay a fine of ten thousand five hundred dollars (\$10,500) to the Division, reduced by up to \$10,000 by any restitution paid to victim JB within one month of the execution of this Consent Order. The remaining fine would be due to the Division by January 31, 2008.
34. Rawlinson acknowledges that this Consent Order, upon approval by the Division Director, shall be the final compromise and settlement of this matter. Rawlinson further

acknowledges that if the Division Director does not accept the terms of the Consent Order, it shall be deemed null and void and without any force or effect whatsoever.

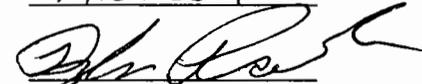
35. Rawlinson acknowledges that the Consent Order does not affect any civil or arbitration causes of action that third parties may have against Rawlinson arising in whole or in part from his actions, and that the Consent Order does not affect any criminal cause of action that a prosecutor might bring. The Division of Securities will not be recommending Rawlinson for a criminal action.
36. This 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 this Consent Order in any way.
37. Rawlinson represents that any information he has provided to the Division is accurate and complete, and if the Division finds otherwise, Rawlinson acknowledges that this Consent Order will be deemed null and void and without any force or effect whatsoever.
38. Violation of this Consent Order is a third degree felony pursuant to § 61-1-21(1) of the Act.
39. Rawlinson has read this Stipulation, understands its contents, and enters into this Stipulation voluntarily. No promises or threats have been made by the Division, nor by

any member, officer, agent, or representative of the Division, to induce Rawlinson to enter into this Stipulation.

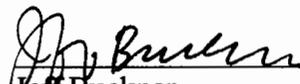
Utah Division of Securities

Date: 11/20/07  
By:   
Michael Hines  
Director of Enforcement

Respondent

Date: 11/13/07  
  
Douglas K. Rawlinson

Approved:

  
Jeff Buckner  
Assistant Attorney General

  
Chris Beins  
Attorney for Rawlinson

**ORDER**

Pursuant to the terms of the Stipulation and Consent Order defined above, the Director of the Utah Division of Securities hereby orders that:

- a. Douglas K. Rawlinson CEASE and DESIST from engaging in any further conduct in violation of the Utah Securities Act.
- b. Douglas K. Rawlinson pay a fine of ten thousand five hundred dollars (\$10,500) to the Division, reduced by up to \$10,000 paid to the victim JB within one month of the execution of the Consent Order. The remaining fine is due to the Division no later than January 31, 2008.

DATED this 28<sup>th</sup> day of November, 2007.



WAYNE KLEIN

Director, Utah Division of Securities



**Certificate of Mailing**

I certify that on the 28<sup>TH</sup> day of November, 2007, I mailed, by certified mail, a true and correct copy of the Stipulation and Consent Order to:

Douglas Rawlinson  
11055 N. Anderson Way  
Tremonton, UT 84337

Certified Mailing # 70051820000371906618

Chris Beins (Attorney for Rawlinson)  
29 W. Main St.  
Tremonton, UT 84337

Certified Mailing # 70051820000371906625

PAMALA BADENSON  
Executive Secretary