

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:

RICK LAWRENCE BROWN,

Respondent.

ORDER TO SHOW CAUSE

Docket No. SD-09-0046

It appears to the Director of the Utah Division of Securities (Director) that Rick Lawrence Brown (Respondent) 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 Respondent 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. Rick Lawrence Brown (Brown) is a resident of Utah County, Utah.

GENERAL ALLEGATIONS

3. Between June 2006 and November 2006, Brown solicited JR and CR to invest \$7,000 with Steven Bowers (Bowers). JR and CR (Investors) are Utah County residents.
4. Brown made material misrepresentation and omissions with regard to Investors' \$7,000 investment with Bowers.
5. Investors have received no return on their investments with Brown and their loss in principal alone is \$5,000.

Investors

6. Brown began giving Investors financial advice on or about January 8, 2006.¹ Brown claimed that he could help Investors with their financial crisis.²
7. In February of 2006, Brown told Investors to borrow money against their home in order to acquire funds for investing purposes.

¹Investors attend the same church as Brown. Brown initially became involved with Investors because the Bishop of their LDS ward asked Brown to help Investors solve their financial problems.

²JR had a student loan of close to \$120,000 incurred for post secondary education at a helicopter flight school. JR did not graduate from the flight school, but was nonetheless responsible for the student loan.

8. In June 4, 2006, Brown visited Investors at their home in Orem, Utah. Brown told Investors he worked for Bowers. Brown said Bowers needed money quickly for “escrow” on a property project in Huntington Beach, CA.
9. Brown said that if Investors invested \$6,000 Bowers would give them a \$10,000 promissory note. Brown said the difference of \$4,000 would be a bonus for Investors.
10. Brown said Investors would earn 10% interest per month on the \$10,000 promissory note.
11. Based on Brown’s representations, Investors invested \$6,000 with Brown on June 5, 2006.
12. CR first issued a \$2,000 check (Check 1003) and then issued a \$4,000 check (Check 1004) both of which were payable to Rick Brown. Both checks were drawn from the Investors’ JP Morgan Chase Bank, NA (Chase) home equity line of credit (HELOC.)
13. Brown was aware of the Chase HELOC and that it was the source of the \$6,000.
14. In exchange for the \$6,000, CR received a note dated June 4, 2006, stating that Bowers will pay Investors \$10,000 principal and 10% interest on or before August 4, 2006.
15. The note was signed, “Steven Bowers By Rick Brown approved telephone 2 June 06.”
16. Brown endorsed Check 1003 and Check 1004 to his daughter, Camie Brown. On June 5, 2006, Check 1004 was deposited into Camie Brown’s savings account at Utah

Community Federal Credit Union.³

17. From June 5, 2006 to August 14, 2006, Camie Brown's savings account balance dropped from \$4,710.56 to \$12.64 as a result of a \$1,500 withdrawal and transfers to Camie Brown's checking account.
18. Expenditures to Camie Brown's checking account during the same period reveal that Investors' funds were spent on:
 - a. Phone bills;
 - b. Dining;
 - c. Gas;
 - d. Personal care;
 - e. Travel; and
 - f. Entertainment.
19. On June 5, 2006 Check 1003, was cashed at Utah Community Federal Credit Union.
20. On or about August 1, 2006, Investors received a \$2,000 check from Bowers delivered by Brown.
21. On or about November 22, 2006, Brown told Investors he wanted them to buy out his investment with Bowers for \$1,000. CR wrote a \$1,000 check (Check 1005) to Brown

³In an interview with Division investigator Diana Parrish, Brown stated that he deposited the money in his daughter's account instead of one that he owned because he had a judgment "hanging over [his] head" at the time.

drawn on Investors' Chase HELOC and gave the check to Brown.

22. Brown did not provide Investors with any documents showing they had taken over Brown's position with Bowers.
23. Around Thanksgiving of 2006, JR phoned Brown and told Brown that Investors wanted all their money back. Brown stated that it was too late to get their money back from Bowers.
24. On December 15, 2006, Investors reiterated to Brown that they wanted their money back. Brown told Investors they would make a large profit if they left their money with Bowers and leaving their money with Bowers was the only way to get out of their financial crisis.⁴
25. In this same conversation, Brown assured Investors they would have all their money back by January or February 2007.
26. In February 2007, Investors complained to Brown about the lack of payment. Brown met Investors at their home to show them development plans for a strip mall and gas station to be built east of I-15 in Draper, Utah. Brown said Investors' money was tied up in the development and Bowers was trying to get things worked out.
27. Brown said Bowers sold his home in Draper for about \$3 million and, therefore, Investors should get their money soon.

⁴See note 2.

28. Between April and December 2007, Brown made multiple excuses to Investors about why they had not been paid.
29. In January 2008, Brown told Investors that Bowers' funds had been released and mentioned a bonus for Investors' patience.
30. In February 2008, Investors sent Brown a letter, demanding payment in full by February 15, 2008. They also threatened to file a complaint with the Securities and Exchange Commission.
31. Prior to investing with Bowers through Brown, Brown did not provide Investors with any offering documents or a prospectus or any information normally found in a prospectus, including but not limited to:
 - a. Operating history;
 - b. If there were other investors;
 - c. Track record of his company to its investors;
 - d. Whether risk was involved;
 - e. Bowers' history including his prior UCC filings and a Chapter 13 bankruptcy filing;
 - f. Potential conflicts of interest.
32. Investors invested for profit and had no managerial responsibilities with RLB or Bowers.
33. On September 16, 2008, Investors' attorney sent letters to Brown and Bowers, demanding payment within ten days or Investors would take legal action.

34. Investors filed a civil lawsuit (080103832) against Steve Bowers and Rick Brown on October 10, 2008.

CAUSES OF ACTION

COUNT I

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

35. The Division incorporates and re-alleges paragraphs 1 through 34.
36. The note offered and sold by Brown is a security under § 61-1-13 of the Act.
37. In connection with the offer and sale of securities, Brown, directly or indirectly, made false statements, including, but not limited to, the following:
- a. That Investors would receive the \$6,000 principal they invested in Bowers back before August 4, 2006, when in fact, Investors' principal has not been returned;
 - b. That Investors would receive a \$4,000 bonus for their investment when in fact, they received no such bonus;
 - c. That Investors would earn 10% per month on their investment, when in fact, they have seen no returns.
 - d. That Brown would place Investors' \$6,000 in an investment with Bowers, when in fact, the \$4,000 investment check was endorsed to Brown's daughter who used it primarily for ordinary living expenses and the \$2,000 check was cashed.
 - e. That Investors would receive Brown's investment share with Bowers in exchange for the \$1,000 they gave to Brown, when in fact Brown did not provide any

documents showing Investors had taken over his position.

38. In connection with the offer and sale of securities, Brown, 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. That Bowers had three UCC filings⁵;
 - b. That Bowers filed for chapter 13 Bankruptcy protection and that the case was dismissed on December 6, 2001;
 - c. That Brown would use Investors' investment funds for purposes other than investment, specifically for the ordinary living expenses of Brown's daughter and that their \$2,000 investment check would be converted to cash;
 - d. Some or all of the information typically provided in an offering circular or prospectus regarding Bowers, such as:
 - i. Bowers' financial statements;
 - ii. The market for Bowers' service(s);
 - iii. The nature of the competition for the service(s);

⁵Bowers has the following UCC filings: (1) "AIG life insurance policy #A10125005L, and all rights thereto" with Mark Schellhase as the secured party effective 03/27/2007; (2) "[a]ll property, assets and rights of debtor, wherever located, whether now owned or hereafter acquired or arising, and all proceeds and products thereof" with Avanti Capital Partners, LLC as the secured party effective 11/08/2007; and (3) "[a]ll beneficiary interests in American General Life Insurance Policy Contract #A10112114L" with Avanti Capital Partners, LLC as the secured party effective 11/04/2008.

- iv. The track record of Bowers to other investors;
- v. The number of other investors;
- vi. The risk factors for Bowers' investors;
- vii. Discussion of pertinent suitability factors for the investment;
- viii. Any conflicts of interest the issuer, the principals, or the agents may have with regard to the investment;
- ix. Agent commissions or compensation for selling the investment;
- x. Any involvement of Bowers in certain legal proceedings, including bankruptcy or prior violations of state or federal securities laws;
- xi. Whether the investment is a registered security or exempt from registration;
- xii. Whether the person selling the investment is licensed; and
- xiii. How Brown would use the money Investors invested in Utility.

39. Based upon the foregoing, Brown violated § 61-1-1 of the Act.

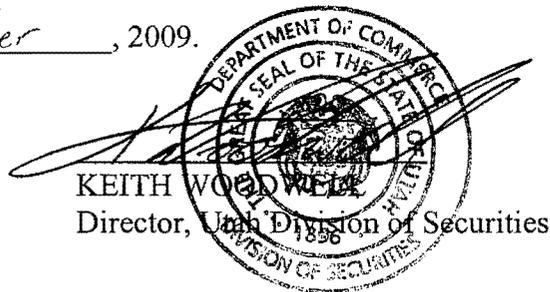
ORDER

The Director, pursuant to § 61-1-20 of the Act, hereby orders Brown 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, December 1, 2009, 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 Brown fails to file an answer and appear at the hearing, the Division of Securities may hold Brown 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, Brown may show cause, if any they have:

- a. Why Rick L. Brown should not be found to have engaged in the violations alleged by the Division in this Order to Show Cause;
- b. Why Rick L. Brown 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 Rick L. Brown should not be ordered to pay a fine of (\$10,000) to the Division of Securities, which may be reduced by restitution paid to the investors;

DATED this 8th day of October, 2009.



Approved:


JEFF BUCKNER
Assistant Attorney General
D. P.

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
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**BEFORE THE DIVISION OF SECURITIES
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OF THE STATE OF UTAH**

IN THE MATTER OF:

RICK LAWRENCE BROWN,

Respondent.

NOTICE OF AGENCY ACTION

Docket No. SD-09-0046

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, 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 December 1, 2009 at the Division of Securities, 2nd Floor, 160 East 300 South, Salt Lake City, Utah, at 9:00 A.M.

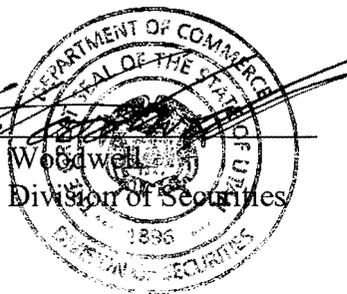
If you fail to file a response, as described above, or fail to appear at any hearing that is set, the presiding officer may enter a default order against you without any further notice. Utah Code Ann. § 63G-4-209; Utah Admin. Code R151-46b-10(11). After issuing the default order, the presiding officer may grant the relief sought against you in the 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 8th day of October, 2009.


Keith M. Woodwell
Director, Division of Securities



Certificate of Mailing

I certify that on the 8th day of October, 2009, I mailed, by certified mail, a true and correct copy of the Notice of Agency Action and Order to Show Cause to:

Rick Lawrence Brown

1522 W. 650 S.

Orem, Utah 84058

Certified Mail # 7009 0080 0000 0284 4103

PAM RADZINSKI

Executive Secretary