

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

BEFORE THE DIVISION OF SECURITIES
OF THE DEPARTMENT OF COMMERCE
OF THE STATE OF UTAH

IN THE MATTER OF:

RICK LAWRENCE BROWN,

Respondent.

**STIPULATION AND CONSENT
ORDER**

Docket No. 10-19-00710

The Utah Division of Securities (the Division), by and through its Director of Enforcement, Michael Hines, and Rick Lawrence Brown, hereby stipulate and agree as follows:

1. Rick Lawrence Brown 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 to Respondent on October 8, 2009, alleging securities fraud and fraudulent practices. The administrative hearing was stayed pending resolution of the criminal charges. On May 26, 2010, Brown pleaded no contest to theft by deception, a second degree felony, in Case

No. 091402609 resulting in a \$30,000 restitution judgment.¹

3. Brown did not file a response, but the parties have agreed to resolve this matter by way of a stipulation and consent order.
4. Respondent waives any right to a hearing to challenge the Division's evidence and present evidence on their behalf.
5. Respondent acknowledges that this stipulation and consent order 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 them and over the subject matter of this action.

I. THE DIVISION'S FINDINGS OF FACT

THE RESPONDENT

7. Rick Lawrence Brown (Brown) was, at all times relevant, a resident of Utah County, Utah.

GENERAL ALLEGATIONS

8. Between June 2006 and November 2006, Brown collected \$7,000 from JR and CR to

¹*State of Utah v. Rick Lawrence Brown*, Case No. 091402609, Fourth District Court of Utah (2010).

invest with Steven Bowers (Bowers). JR and CR (Investors) are Utah County residents.

9. Brown made material misrepresentation and omissions with regard to Investors' \$7,000 investment with Bowers.
10. Investors have received no return on their investments with Brown and their loss in principal alone is \$5,000.

INVESTORS

11. Brown began giving Investors financial advice on or about January 8, 2006.² Brown claimed that he could help Investors with their financial crisis.³
12. In February of 2006, Brown told Investors to borrow money against their home in order to acquire funds for investing purposes.
13. 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"

²Investors 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.

³JR 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.

on a property project in Huntington Beach, CA.

14. 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.
15. Brown said Investors would earn 10% interest per month on the \$10,000 promissory note.
16. Based on Brown's representations, Investors invested \$6,000 with Brown on June 5, 2006.
17. 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.)
18. Brown was aware of the Chase HELOC and that it was the source of the \$6,000.
19. 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.
20. The note was signed, "Steven Bowers By Rick Brown approved telephone 2 June 06."
21. 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.⁴
22. On June 5, 2006 Check 1003, was cashed at Utah Community Federal Credit Union.

⁴In 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.

23. On or about August 1, 2006, Investors received a \$2,000 check from Bowers delivered by Brown.
24. On or about November 22, 2006, Investors gave Brown another \$1,000 to invest with Bowers. CR wrote a \$1,000 check (Check 1005) to Brown drawn on Investors' Chase HELOC and gave the check to Brown.
25. Brown did not provide Investors with any documents showing they had taken over Brown's position with Bowers.
26. 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.
27. 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.⁵
28. In this same conversation, Brown assured Investors they would have all their money back by January or February 2007.
29. 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

⁵See note 2.

development and Bowers was trying to get things worked out.

30. Brown said Bowers sold his home in Draper for about \$3 million and, therefore, Investors should get their money soon.
31. Between April and December 2007, Brown made multiple excuses to Investors about why they had not been paid.
32. In January 2008, Brown told Investors that Bowers' funds had been released and mentioned a bonus for Investors' patience.
33. 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.
34. 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.
- 35. Investors invested for profit and had no managerial responsibilities with RLB or Bowers.
- 36. On September 16, 2008, Investors' attorney sent letters to Brown and Bowers, demanding payment within ten days or Investors would take legal action.
- 37. Investors filed a civil lawsuit (080103832) against Steve Bowers and Rick Brown on October 10, 2008 in Utah's Fourth Judicial District Court.
- 38. On May 26, 2010, in State of Utah v. Rick Lawrence Brown, in Utah's Fourth Judicial District Court, case # 091402609, Brown entered a plea of guilty to one count of theft by deception, a second degree felony, in connection with the same facts alleged in this administrative action. Brown's conviction was held in abeyance for twelve months from the judgment date. Brown was ordered to pay restitution of \$30,000 to Investors.

MATERIAL MISREPRESENTATIONS AND OMISSIONS

- 39. 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. 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 and the \$2,000 check was cashed; and
 - 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.
40. 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 representations made not misleading:
- a. That Bowers had three UCC filings⁶;
 - b. That Bowers filed for chapter 13 Bankruptcy protection and that the case was

⁶Bowers 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.

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);
 - 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.

II. THE DIVISION'S CONCLUSIONS OF LAW

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

III. REMEDIAL ACTIONS/SANCTIONS

- 42. Respondent admits the Division's findings and conclusions and consents to the sanctions below being imposed by the Division.
- 43. Respondent represents that any information he provided to the Division as part of the Division's investigation of this matter is accurate.
- 44. Respondent agrees to the imposition of a cease and desist order, prohibiting him from any

conduct that violates the Act.

45. Pursuant to Utah Code Ann. § 61-1-6(1)(d) and in consideration of the guidelines set forth in Utah Admin. Code Rule R164-31-1, the Division imposes a fine of \$10,000 with the following provisions:
 - a. The fine may be reduced by up to \$5,000 by any restitution paid to Investors;
 - b. The remaining fine amount will be waived so long as Brown violates no provisions of the Act for a period of twelve months from the entry of this Stipulation and Consent Order; and
 - c. If Brown materially violates any of the terms of this Stipulation and Consent Order, after notice and opportunity to be heard before an administrative officer, the entire fine shall become immediately due.
46. Respondent 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.

IV. FINAL RESOLUTION

47. Respondent acknowledges that this Order, upon approval by the Securities Commission shall be the final compromise and settlement of this matter.
48. Respondent further acknowledges that if the Securities Commission does not accept the

terms of the Order, it shall be deemed null and void and without any force or effect whatsoever.

49. Respondent acknowledges that the 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 Order does not affect any criminal causes of action that may arise as a result of their conduct referenced herein.
50. The Stipulation and Consent Order constitute 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.

Utah Division of Securities

Date: 4/1/10

By: [Signature]

Michael Hines
Director of Enforcement

Respondent Brown

Date: 28 OCT 10

By: [Signature]

Rick Lawrence Brown

Approved:

[Signature]

Jeff Buckner
Assistant Attorney General
D.P.

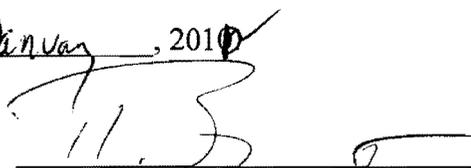
ORDER

IT IS HEREBY ORDERED THAT:

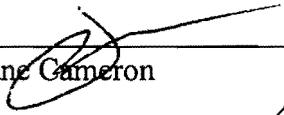
1. The Division has made a sufficient showing of Findings of Fact and Conclusions of Law to form a basis for this settlement.
2. Respondent ceases and desists from violating the Utah Uniform Securities Act.
3. Division imposes a fine of \$10,000, up to \$5,000 of which may be off-set by restitution payments to investors.
4. Up to \$5,000 of the fine amount will be waived conditioned on no future securities violations for twelve months.
5. If Respondent materially violates any of the terms of this Order the full fine amount shall be imposed against the Respondent and become due immediately.
6. Respondent cooperates with the Division in any future investigations.

BY THE UTAH SECURITIES COMMISSION:

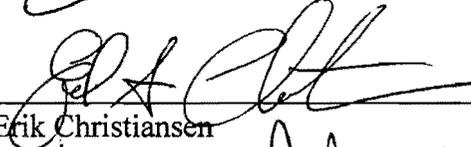
DATED this 20th day of January, 2010



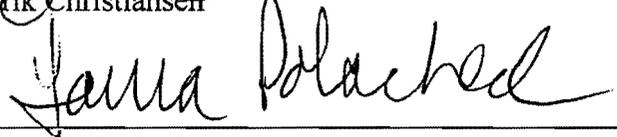
Tim Bangerter



Jane Cameron



Erik Christiansen



Laura Polacheck



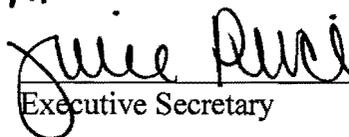
Michael O'Brien

Certificate of Mailing

I certify that on the 24th day of January, ~~2010~~²⁰¹¹, I mailed, by certified mail, a true and correct copy of the Stipulation and Consent Order to:

Rick Lawrence Brown
1522 West 650 South
Orem, UT 84058

Certified Mailing # 7007 0220 0001 0005 4817



Executive Secretary