

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:

**STONE BRIDGE TILE, LLC
MICHAEL SCOTT ATKINSON,**

Respondents.

ORDER TO SHOW CAUSE

Docket No. *10-10-1059*

Docket No. *SP-10-0000*

It appears to the Director of the Utah Division of Securities (Director) that Stone Bridge Tile, LLC and Michael Scott Atkinson have 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 Respondents and the subject matter is appropriate because the Division alleges that they 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 RESPONDENTS

2. Stone Bridge Tile, LLC (Stone Bridge) is a Utah limited liability company, formed on October 17, 2006. Michael Scott Atkinson is listed as a member for Stone Bridge. Stone Bridge's status as a business entity is expired. Stone Bridge has never been licensed by the Division as a broker/dealer agent nor an issuer/agent to sell securities.
3. Michael Scott Atkinson (Atkinson) was, at all relevant times, a resident of the State of Utah. Atkinson has never been licensed as a broker-dealer, agent, investment advisor, or investment advisor representative in Utah.

GENERAL ALLEGATIONS

4. From approximately October 2007 to December 2007, Respondents offered and sold securities to two groups of investors, in or from Utah, and collected a total of \$81,000.
5. Atkinson made material misrepresentations and omissions in connection with the offer and sale of securities to the investors below.
6. The investors lost all \$81,000 in principal.

INVESTORS MA AND GA (HUSBAND AND WIFE)

7. On or about October 2, 2007, MA and GA responded to an ad placed on Craigslist by Atkinson, which advertised an investment opportunity.

8. Between October 2, 2007 and October 11, 2007, MA and GA had at least two telephone conversations with Atkinson about investment opportunities as well as two meetings with him. All conversations and meetings during this time took place in Utah County, Utah and Salt Lake County, Utah.
9. During the discussions, Atkinson said that he owned Stone Bridge and had years of experience in tile work.
10. Atkinson claimed that Stone Bridge could not get a small business loan and needed private investor funds for projects.

1ST OFFER

11. During these conversations, Atkinson said that he needed funding to complete a tile job for a second phase of condos being built in Hawaii and needed the funds for about two months to buy materials.
12. Atkinson offered \$75,000 in interest in return for a \$100,000 investment by MA and GA.
13. MA and GA expressed no interest in the offer.

2ND OFFER

14. Atkinson later discussed another investment opportunity for MA and GA in a different tile job. Atkinson made the following representations about the investment opportunity:
 - a. He was hired for a tile job on “lot eight” in a development in Draper, Utah and would earn \$100,000;

- b. He needed \$30,000 to buy tile for the job and pay labor;
 - c. He would need MA and GA's funds for about two months;
 - d. The investment funds would be used only for buying tile and paying labor for the home on lot eight; and
 - e. The return on investment would be \$10,000 in addition to a portion of the profit Atkinson made from the tile project itself.
15. When asked about his credit by MA and GA, Atkinson said it was "fine."
16. During this time, Atkinson met MA and GA at a construction site to see the home for which their funds would be used and also gave them a copy of an "invoice" for the house project.
17. Atkinson also said he was willing to sign a promissory note and a personal guaranty for the investment.
18. Atkinson failed to disclose that he had filed for bankruptcy in 2004¹, had a \$3,467.65 judgment entered against him, which included a garnishment,² and a civil judgment of \$1,089.04.³

¹*United States Trustee v. Michael Scott Atkinson*, Case #04-29837 (Utah 2004).

²*Professional Collections v. Michael Atkinson*, Case #010701020 in the Seventh District Court of Utah (2002).

³*Utah State Tax Commission v. Michael Atkinson*, Case #076927141 in the Third District court (2007).

19. Based on Atkinson's representations, MA and GA decided to invest in Stone Bridge. On or about October 11, 2007, MA met Atkinson in Utah County, Utah, and gave him a \$30,000 personal check made payable to Stone Bridge Tile.
20. In exchange for the \$30,000 investment funds, MA and GA received a promissory note and personal guaranty, both signed by Atkinson.
21. On or about October 12, 2007, Atkinson deposited the \$30,000 check into Stone Bridge's business checking account held at First National Bank, bringing the account balance to \$30,046.34.
22. According to a source and use analysis of the bank records, the \$30,000 investment funds were used in the following manner:
 - a. \$7,000 transferred to Atkinson's personal account;
 - b. \$4,239.47 withdrawn in cash;
 - c. \$2,707.22 transferred to unidentified accounts;
 - d. \$1,915.67 paid in unidentified checks;
 - e. \$1,604.10 paid to Intermountain Health Care;
 - f. \$3,100 paid to Jesus Villalobos;
 - g. \$3,000 paid to Mary McCubbins;
 - h. \$2,000 paid to Mark Dial;
 - i. \$1,650 paid to Juan Gutierrez;

- j. \$1,000 paid to Shanna Naughton;
 - k. \$482.97 paid to Verizon Wireless;
 - l. \$800.57 paid towards loans; and
 - m. \$500 paid to Christian Ingersoll.
23. After the promissory note was due, Atkinson had still not complied with the terms.
24. MA contacted the lead foreman for the house in Draper on lot eight to inquire about the project. The foreman said that Atkinson had done some prep work on the Draper home, but had never given Atkinson the contract to tile the house.
25. MA and GA have not received any payments on their investment in Stone Bridge.

INVESTORS RM AND MM (HUSBAND AND WIFE)

26. In the fall of 2007, RM and MM learned about an investment opportunity with Stone Bridge through RM's sister, who knew Atkinson through other businesses.
27. Between November 2007 and December 2007, RM and MM met with Atkinson at least two times to discuss two potential investment opportunities. All meetings took place in Utah County, Utah.

1ST OFFER AND SALE

28. During the meetings, Atkinson made the following representations about an investment opportunity in a tile job he had in a development in Draper, Utah:
- a. He was working on some million dollar homes and needed \$10,000 to \$12,000;

- b. He would need the funds for about two months;
 - c. The investment funds would be used only for purchasing the tile supplies and labor needed for the home on “lot six”;
 - d. He had another investor who had invested \$30,000 about a month prior;
 - e. He never had a problem paying back friends and family members who had invested with him in the past;
 - f. There were no contracts with his friends and family, because Atkinson was a man of his word; and
 - g. Stone Bridge far surpassed other tile businesses and was the best tile business doing work on the Draper development.
29. RM and MM discussed splitting the \$12,000 investment with RM’s mother. Atkinson offered an \$1,800 return for RM and MM’s \$6,000 portion of the investment.
30. MM asked if Atkinson had any partners in Stone Bridge, to which Atkinson replied that he did not.⁴
31. MM asked if Atkinson had ever filed for bankruptcy, to which replied Atkinson replied that he had not.⁵
32. MM asked if Atkinson had any creditors, to which replied Atkinson replied that he did

⁴Utah Division of Corporations records show that Clint Bouck was a principal of Stone Bridge.

⁵See Footnote 1.

not.⁶

33. Based on Atkinson's representations, RM and MM decided to invest in Stone Bridge. On or about November 9, 2007, MM purchased a \$12,000 cashier's check from Wells Fargo Bank, which was made payable to Stone Bridge. As instructed by Atkinson, MM delivered the check to RM's sister who would deliver the check to Atkinson.
34. In exchange for the \$12,000 investment funds, RM and MM received two pre-signed promissory notes and personal guaranties from Atkinson, dated November 9, 2007; one set for RM and MM and the other set for RM's mother.
35. On or about November 9, 2007, Atkinson deposited the \$12,000 check into Stone Bridge's business checking account held at First National Bank, bringing the account balance to \$10,752.72.
36. According to a source and use analysis of the bank records, the \$12,000 investment funds were used in the following manner:
 - a. \$1,247.28 to cover a negative balance in Stone Bridge's account;
 - b. \$3,227.26 withdrawn in cash;
 - c. \$840.84 paid out in unidentified checks;
 - d. \$3,850 paid to Jesus Villalobos;
 - e. \$2,100 paid to Bart Wright;

⁶See Footnote 2.

- f. \$499.03 paid to South Mountain Tile & Stone;
 - g. \$115.42 paid towards loans;
 - h. \$101.17 paid to Paychex EIB; and
 - i. \$19.00 paid to an overdraft fee.
37. On or about December 21, 2007, RM and MM received a \$2,800 check from Atkinson. Atkinson said that the amount represented the \$1,800 return on investment and \$1,000 towards the principal. The \$2,800 check was returned unpaid.
38. RM and MM have not received any payments on their investment in Stone Bridge.

2ND OFFER AND SALE

39. Also during the meetings with RM and MM, Atkinson made the following representations about an investment opportunity in a tile job on which he was bidding in a development in Hawaii:
- a. It was a phase two development and would have over 200 units;
 - b. Regarding competing bids, Atkinson had an advantage through an ex-girlfriend who was helping with the bid;
 - c. He was “a lock” to get the deal, and was waiting to hear from the general contractor if he had won the Hawaii bid;
 - d. The general contractor was going to send some documents to Atkinson in order to finalize the bid process;

- e. His net profit on the job would be about \$1 million;
 - f. He would need \$50,000 to \$100,000 of investor funds;
 - g. He would pay a return of 10% per month on the funds;
 - h. He would need the funds for seven months; and
 - i. The investment funds would be used only for purchasing the tile supplies and labor needed for the Hawaii project.
40. RM and MM said that they could not invest \$100,000, but might be able to invest about \$50,000. Atkinson said that a \$50,000 investment would “work.”
41. On or about December 4, 2007, Atkinson had RM’s sister call MM to tell her that Atkinson had been given a verbal award of the Hawaii project, but did not have anything in writing yet. Atkinson said that he needed the \$50,000 to purchase the tile.
42. MM informed RM’s sister that she and RM could only invest \$45,000.
43. Atkinson had RM’s sister meet MM at MM’s bank, where RM’s sister provided MM with a new promissory note, a personal guaranty from Atkinson, and Atkinson’s banking information so RM and MM could wire funds to Atkinson’s bank account.
44. The \$45,000 promissory note offered interest at a rate of 10% per month, or a flat fee of \$18,000 if the loan did not mature.
45. Based on Atkinson’s representations, RM and MM decided to invest again in Stone Bridge.

46. On December 4, 2007, RM and MM's \$45,000 wire was deposited into Stone Bridge's business checking account at First National Bank, bringing the account to \$45,025. According to a source and use analysis of the bank records, the \$45,000 investment funds were used in the following manner:
- a. \$14,166.33 withdrawn in cash;
 - b. \$7,169.17 paid to Les Schwab;
 - c. \$3,000 paid to Brian Schow;
 - d. \$2,400 paid to Bart Wright;
 - e. \$2,040.85 paid to Cyndi Bowers;
 - f. \$2,000 paid to Turnkey Home & Office;
 - g. \$1,917.69 paid to Contempo Tile Warehouse;
 - h. \$1,814.50 transferred to Atkinson's personal account;
 - i. \$1,800 paid to "Mike;"
 - j. \$1,686.15 paid through unidentified checks;
 - k. \$1,500 paid to Ruben Ochoa;
 - l. \$1,500 paid to Shana Naughton;
 - m. \$1,149.71 paid to South Mountain Tile & Stone;
 - n. \$1,130.99 paid to USTC;
 - o. \$1,000 transferred to an unidentified account;

- p. \$692.61 paid to Verizon Wireless; and
 - q. \$32 paid in overdraft fees.
47. In June of 2008, RM's sister told RM and MM that she had recently discovered that phase two of the Hawaii development was never planned, so building had never occurred.
48. To date, RM and MM have not received any funds on their investment.

CAUSES OF ACTION

COUNT I

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

49. The Division incorporates and re-alleges paragraphs 1 through 48.
50. The investment opportunities offered and sold by Respondents are securities under § 61-1-13 of the Act.
51. In connection with the offer and sale of securities to investors, Respondents, directly or indirectly, made false statements, including, but not limited to, the following:
- a. To MA and GA:
 - i. Atkinson had a tile job for lot eight of the Draper development, when in fact, this was not true.
 - b. To RM and MM:
 - i. Atkinson had never filed for bankruptcy, when in fact, Atkinson filed for bankruptcy in 2004;
 - ii. Atkinson had no creditors, when in fact, Atkinson owed over \$4,500 in

judgments at that time from two civil suits;

iii. Atkinson had been awarded a tile job for lot six of the Draper development, when in fact, this was not true; and

iv. Atkinson had been bidding on a tile job in Hawaii, when in fact, this was not true.

52. In connection with the offer and sale of securities to investors, Respondents, 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 Atkinson filed for Chapter 7 bankruptcy in 2004;

b. That Atkinson owed over \$4,500 in judgments at that time from two civil suits;

c. That Atkinson had a garnishment related to a \$3,467.65 judgment;

d. Some or all of the information typically provided in an offering circular or prospectus regarding Stone Bridge, such as:

i. Financial statements;

ii. Risk factors for investors;

iii. Suitability factors for the investment;

iv. The number of investors;

v. The amount of money raised from other investors;

vi. Whether the investment is a registered security or exempt from registration;

and

- vii. Whether Atkinson was licensed to sell securities.

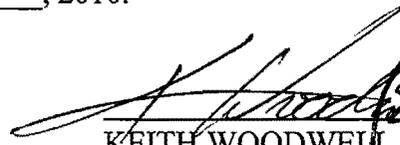
ORDER

The Director, pursuant to § 61-1-20 of the Act, hereby orders Respondents 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 Tuesday, October 5, 2010, 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 Respondents fail to file an answer and appear at the hearing, the Division of Securities may hold Respondents 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, Respondents may show cause, if any they have:

- a. Why Respondents should not be found to have engaged in the violations alleged by the Division in this Order to Show Cause;
- b. Why Respondents 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 Respondents 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 17th day of August, 2010.


KEITH WOODWELL
Director, Utah Division of Securities



Approved:


JEFF BUCKNER
Assistant Attorney General
J.N.

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:

**STONE BRIDGE TILE, LLC
MICHAEL SCOTT ATKINSON,**

Respondents.

NOTICE OF AGENCY ACTION

Docket No. 

Docket No. 

THE DIVISION OF SECURITIES TO THE ABOVE-NAMED RESPONDENTS:

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, 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

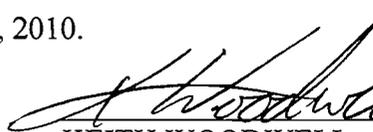
An initial hearing in this matter has been set for October 5, 2010 at the Division of Securities, 2nd Floor, 160 East 300 South, Salt Lake City, Utah, at 9:00 A.M.

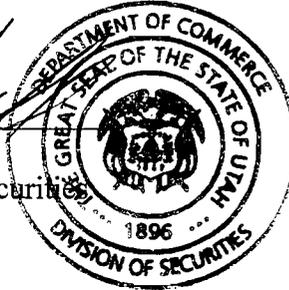
If you fail to file a response, as described above, or fail to appear at any hearing that is set, the presiding officer may enter a default order against you without any further notice. Utah Code Ann. § 63G-4-209; Utah Admin. Code R151-46b-10(11). After issuing the default order, the presiding officer 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 17th day of August, 2010.


KEITH WOODWELL
Director, Division of Securities

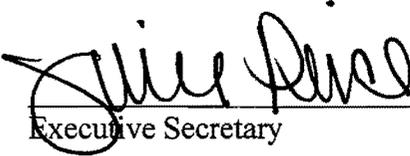


Certificate of Mailing

I certify that on the 18 day of August, 2010, I mailed, by certified mail, a true and correct copy of the Notice of Agency Action and Order to Show Cause to:

Stone Bridge Tile, LLC
1234 W. Sirmingo Way
P.O. Box 712
Riverton, UT 84065
Certified Mail # 7008 1140 0004 1142 7023

Michael Scott Atkinson
3995 Burningham Dr.
West Valley City, UT 84119
Certified Mail # 7008 1140 0004 1142 7016



Executive Secretary