

Division of Securities
Utah Department of Commerce
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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.

**STIPULATION AND CONSENT
ORDER**

Docket No. SD -10-0059

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The Utah Division of Securities (the Division), by and through its Director of Enforcement, Michael Hines, and Respondents Stone Bridge Tile, LLC and Michael Scott Atkinson, hereby stipulate and agree as follows:

1. Stone Bridge Tile, LLC (Stone Bridge) and Michael Scott Atkinson (Atkinson) were the subjects of an investigation conducted by the Division into allegations that they 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

them on August 17, 2010, alleging securities fraud. Criminal charges were also filed against Atkinson in connection with the investigation.¹

3. On October 12, 2010, Respondents filed a motion to stay the administrative proceedings pending resolution of the criminal proceedings. On October 13, 2010, Judge Eklund granted the motion to stay.
4. Respondents waive any right to a hearing to challenge the Division's evidence and present evidence on their behalf.
5. Respondents acknowledge 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. Respondents admit the jurisdiction of the Division over them and over the subject matter of this action.
7. Respondents are represented by Attorney Stephen R. McCaughey and are satisfied with their representation.

I. THE DIVISION'S FINDINGS OF FACT

THE RESPONDENTS

8. Stone Bridge Tile, LLC (Stone Bridge) is a Utah limited liability company, formed on

¹*State of Utah v. Michael Scott Atkinson*, Case No. 101908995, Third Judicial District Court of Utah (2010). Atkinson later pleaded guilty to two counts of securities fraud, a second degree felony. Atkinson agreed to pay full restitution at the rate of \$1,000 per month on January 13, 2011. The plea was held in abeyance for thirty-six months from sentencing.

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.

9. 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

10. 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.
11. Atkinson made material misrepresentations and omissions in connection with the offer and sale of securities to the investors below.
12. The investors lost all \$81,000 in principal.

INVESTORS MA AND GA (HUSBAND AND WIFE)

13. On or about October 2, 2007, MA and GA responded to an ad placed on Craigslist.com by Atkinson, which advertised an investment opportunity.
14. 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.

15. During the discussions, Atkinson said that he owned Stone Bridge and had years of experience in tile work.
16. Atkinson claimed that Stone Bridge could not get a small business loan and needed private investor funds for projects.

1ST OFFER

17. 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.
18. Atkinson offered \$75,000 in interest in return for a \$100,000 investment by MA and GA.
19. MA and GA expressed no interest in the offer.

2ND OFFER

20. 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.
21. When asked about his credit by MA and GA, Atkinson said it was “fine.”
 22. 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.
 23. Atkinson also said he was willing to sign a promissory note and a personal guaranty for the investment.
 24. Atkinson failed to disclose that he had filed for bankruptcy in 2004², had a \$3,467.65 judgment entered against him, which included a garnishment,³ and a civil judgment of \$1,089.04.⁴
 25. 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.
 26. In exchange for the \$30,000 investment funds, MA and GA received a promissory note

²*United States Trustee v. Michael Scott Atkinson*, Case #04-29837 (Utah 2004).

³*Professional Collections v. Michael Atkinson*, Case #010701020 in the Seventh District Court of Utah (2002).

⁴*Utah State Tax Commission v. Michael Atkinson*, Case #076927141 in the Third District court (2007).

and personal guaranty, both signed by Atkinson.

27. 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.
28. 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.

29. After the promissory note was due, Atkinson had still not complied with the terms.
30. 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.
31. MA and GA have not received any payments on their investment in Stone Bridge.

INVESTORS RM AND MM (HUSBAND AND WIFE)

32. 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.
33. 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

34. 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.
35. 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.
36. MM asked if Atkinson had any partners in Stone Bridge, to which Atkinson replied that he did not.⁵
37. MM asked if Atkinson had ever filed for bankruptcy, to which Atkinson replied that he had not.⁶
38. MM asked if Atkinson had any creditors, to which Atkinson replied that he did

⁵Utah Division of Corporations records show that Clint Bouck was a principal of Stone Bridge.

⁶See Footnote 1.

not.⁷

39. 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.
40. 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.
41. 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.
42. 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;

⁷See Footnote 2.

- d. \$3,850 paid to Jesus Villalobos;
 - e. \$2,100 paid to Bart Wright;
 - 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.
43. 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.
44. RM and MM have not received any payments on their investment in Stone Bridge.

2ND OFFER AND SALE

45. 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.
46. 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.”
47. 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.
48. MM informed RM’s sister that she and RM could only invest \$45,000.
49. 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.

50. 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.
51. Based on Atkinson's representations, RM and MM decided to invest again in Stone Bridge.
52. 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.
53. 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.
54. To date, RM and MM have not received any funds on their investment.

SECURITIES FRAUD

55. The investment opportunities offered and sold by Respondents are securities under § 61-1-13 of the Act.

56.

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.

57. 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.

58. Based on the above information, Respondents violated § 61-1-3(1) of the Act.

II. THE DIVISION'S CONCLUSIONS OF LAW

59. Based on the Division's investigative findings, the Division concludes that:

- a. The investment opportunities offered and sold by Respondents are securities under § 61-1-13 of the Act;
- b. Respondents violated § 61-1-1(2) of the Act by misstating and omitting to state material facts in connection with the offer and sale of a security.

III. REMEDIAL ACTIONS/SANCTIONS

60. Respondents admit the Division's findings and conclusions and consent to the sanctions below being imposed by the Division.

61. Respondents represent that any information they provided to the Division as part of the Division's investigation of this matter is accurate.
62. Respondents agree to the imposition of a cease and desist order, prohibiting them from any conduct that violates the Act.
63. Atkinson agrees that for a minimum of three years and until full restitution is made pursuant to *State of Utah v. Michael Scott Atkinson*, Case No. 101908995, Third Judicial District Court of Utah (2010), he will be barred from (i) associating⁸ 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.
64. Atkinson 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

65. Respondents acknowledge that this Order, upon approval by the Securities Commission shall

⁸“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 related to the sale or promotion of securities or the giving of investment advice in the State of Utah.

be the final compromise and settlement of this matter.

66. Respondents further acknowledge 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.
67. Respondents acknowledge that the Order does not affect any civil or arbitration causes of action that third-parties may have against him rising 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 his conduct referenced herein.
68. 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.

Utah Division of Securities

Date: 6/22/11

By: [Signature]
Michael Hines
Director of Enforcement

Respondent Stone Bridge Tile, LLC

Date: 6-15-2011

By: [Signature]
Michael Scott Atkinson as Member of
entity and as an individual

Approved:

[Signature]
Jeff Buckner
Assistant Attorney General
J.N.

Approved:

[Signature]
Stephen R. McCaughey
Attorney for Respondents

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. Respondents cease and desist from violating the Utah Uniform Securities Act.
3. Atkinson agrees to be barred from the securities industry for a minimum of three years and until full restitution is paid.
4. Respondents cooperate with the Division in any future investigations.

BY THE UTAH SECURITIES COMMISSION:

DATED this 28th day of JULY, 2011.

Tim Bangerter

Jane Cameron

Erik Christiansen

Laura Polacheck

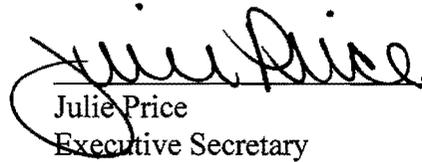
Jan Graham *Jan Graham*

CERTIFICATE OF MAILING

I, Julie Price, hereby certify that on the 2nd day of August 2011, I mailed, by certified mail, a true and correct copy of the forgoing **Stipulation and Consent Order** to:

Stone Bridge Tile, LLC.
Michael Scott Atkinson
c/o Stephen McCaughey
10 West Broadway, Suite 650
Salt Lake City, UT 84101

Certified Receipt #: 7007 0220 0001 0063 6226



Julie Price
Executive Secretary