

**UNITED STATES DISTRICT COURT
DISTRICT OF MINNESOTA**

**UNITED STATES SECURITIES
AND EXCHANGE COMMISSION,**

Plaintiff,

v.

**RENEE MARIE BROWN and
INVESTORS INCOME FUND X, LLC,**

Defendants.

Civil Action No.

JURY DEMAND

COMPLAINT

Plaintiff United States Securities and Exchange Commission (Commission)
alleges as follows:

NATURE OF THE COMPLAINT

1. Defendant Renee Marie Brown, a Minnesota-based investment adviser, has stolen the money of unwitting clients. She has scammed them into transferring their money to Defendant Investors Income Fund X, LLC (Fund X). She tells them that Fund X is a “bond fund” with fixed annual returns of 8% or 9%. She has distributed bogus Madoff-like “returns” to investors, furthering the fiction of Fund X as a legitimate and successful investment opportunity.

Unbeknownst to her victims, Fund X is a sham – Brown’s alter ego.

2. Her scheme has worked. As of March 2010, clients have invested more than \$1.1 million with Fund X. She has stolen most of that money to, among

other things, purchase a condominium and build-out office space for her new business.

3. The Commission brings this lawsuit to put an immediate stop to Brown's ongoing violations of the federal securities laws, to prevent further harm to investors, and to seek disgorgement and civil penalties from defendants stemming from their violations of the securities laws, among other remedies.

JURISDICTION AND VENUE

4. The Commission brings this action pursuant to Section 20(b) of the Securities Act [15 U.S.C. §77t(b)], Sections 21(d) and 21(e) of the Exchange Act [15 U.S.C. §§78u(d) and 78u(e)], and Section 209(d) of the Advisers Act [15 U.S.C. § 80b-9(d)].

5. This Court has jurisdiction over this action pursuant to Section 22 of the Securities Act [15 U.S.C. § 77v], Section 27 of the Exchange Act [15 U.S.C. § 78aa], Section 214 of the Advisers Act [15 U.S.C. § 80b-14], and 28 U.S.C. § 1331.

6. Venue is proper in this Court pursuant to Section 27 of the Exchange Act [15 U.S.C. § 78aa]. Acts, practices and courses of business constituting violations alleged herein have occurred within the jurisdiction of the United States District Court for the District of Minnesota and elsewhere.

7. Defendants Brown and Fund X, directly and indirectly, have made use of the means and instrumentalities of interstate commerce and of the mails in

connection with the acts, practices, and courses of business alleged herein, and will continue to do so unless enjoined.

DEFENDANTS

8. **Renee Marie Brown**, age 46, lives in Golden Valley, Minnesota. In October 2001, she founded Wildwood Wealth Management, LLC (Wildwood), a Minneapolis, Minnesota-based investment adviser that is registered with the Commission. Brown claims to hold several securities licenses, including series 7, 24, 63, and 66 licenses. From February 22, 2010 until March 8, 2010, Brown was associated with Sawtooth Asset Management, Inc. (Sawtooth), an investment adviser registered with the Commission. On March 8, 2010, Brown terminated her association with Sawtooth. From June 6, 2005 until March 11, 2010, Brown was a registered representative with CapitalQuest Securities, Inc. (CapitalQuest), a broker-dealer registered with the Commission. On March 11, 2010, CapitalQuest terminated Brown. Brown recently began Aaria Capital, Inc. (Aaria), her own investment adviser business. Brown has a juris doctorate degree, but has never been licensed to practice law, in Minnesota or elsewhere.

9. **Investors Income Fund X, LLC** is a limited liability company created by Brown on July 1, 2009 under the laws of the State of South Dakota. Fund X has the same mailing address as Brown, who is the sole managing member and control person of Fund X. Fund X is not registered with the Commission in any capacity.

RELATED ENTITY

10. **Wildwood Wealth Management, LLC** is a Minnesota limited liability company located in Minneapolis, Minnesota. It has been registered with the Commission as an investment adviser since July 8, 2008. Wildwood purports to manage approximately \$53 million in assets for 76 clients. Brown was one of Wildwood's three principals and served as its chief manager. At the time of her departure from Wildwood, She managed about \$9.5 million in assets for the company, comprising investment proceeds of 31 Wildwood clients. Wildwood compensated Brown for managing such assets. On March 5, 2010, Wildwood placed Brown on administrative leave after discovering her apparent misappropriation of client funds. On March 17, 2010, it terminated her employment.

FACTS

Brown Creates Fund X to Steal Client Funds

11. In July 2009, while still employed by Wildwood – but unbeknownst to Wildwood – Brown created Fund X, a limited liability company organized under the laws of the State of South Dakota.

12. Advisory agreements and account opening documents for Brown's clients show that Brown enjoyed discretionary authority to purchase and sell securities in custodial accounts, but did not have authority to take possession of client funds in those accounts. After creating Fund X, Brown opened and maintained sole control over two accounts in Fund X's name, a brokerage account

at TD Ameritrade and a checking account at Wells Fargo & Company (Wells Fargo).

13. In July 2009, Brown surreptitiously began competing with her employer. She either discretely convinced Wildwood clients to withdraw their money from Wildwood and invest with Fund X or forged a client's signature to facilitate the funds transfer.

14. To lure investors, Brown claimed that Fund X was a "bond fund" or a "pool of bonds" with a fixed rate of 8% or 9%. Brown further claimed that she had personally invested \$200,000 of her own money in Fund X.

15. To further the illusion that Fund X was a legitimate and successful investment vehicle, Brown has distributed \$13,500 in Madoff-like "returns" to clients.

16. These were lies. Fund X never invested in bonds. Brown never invested in Fund X. And while Brown engaged in limited stock trading in Fund X's brokerage account, she stole all but \$486 of the profits Fund X realized from those trades.

17. Worse, Brown stole most of the client funds held by Fund X. Through Fund X, Brown raised at least \$1.1 million of client proceeds, and stole most of it.

18. She used over \$500,000 of such funds to buy herself a condominium. She siphoned another \$100,000 of investor proceeds to her

personal bank accounts. Fund X's investors unknowingly paid another \$85,000 to build-out the leased office space for Brown's new business venture.

**Even After Wildwood Catches Brown, She Continues
Her Fraudulent Scheme Unabated and Undeterred**

19. In March, Wildwood discovered her misconduct, and Brown gave Wildwood the Fund X proceeds she didn't steal – amounting to only \$300,000 of the \$1.1 million that clients had entrusted to Fund X. Brown has yet to disgorge any of the client proceeds she stole. While she promised to execute a quitclaim deed transferring the condominium to Wildwood, she instead conveyed the property to Fund X. In response, Wildwood initiated litigation against Brown, which is currently pending in Minnesota state court.

20. On information and belief, Brown continues to actively solicit new investors for Fund X.

COUNT I

**Violations of Section 17(a)(1) of the Securities Act
(Against Defendants Brown and Fund X)**

21. Paragraphs 1 through 20 are realleged and incorporated by reference as though fully set forth herein.

22. By engaging in the conduct described above, Brown and Fund X, in the offer and sale of securities, by the use of the means and instruments of transportation or communication in interstate commerce or by use of the mails, directly or indirectly, have employed devices, schemes and artifices to defraud.

23. Brown and Fund X intentionally or recklessly made the untrue statements and omissions and engaged in the devices, schemes, artifices, transactions, acts, practices and courses of business described above.

24. By reason of the foregoing, Brown and Fund X violated Section 17(a)(1) of the Securities Act [15 U.S.C. § 77q(a)(1)].

COUNT II

Violations of Sections 17(a)(2) and (3) of the Securities Act (Against Defendants Brown and Fund X)

25. Paragraphs 1 through 24 are realleged and incorporated by reference as though fully set forth herein.

26. By engaging in the conduct described above, Brown and Fund X, in the offer and sale of securities, by the use of the means and instruments of transportation or communication in interstate commerce or by use of the mails, directly or indirectly, have:

- a. obtained money or property by means of untrue statements of material fact or by omitting to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and
- b. engaged in transactions, practices, or courses of business that operated or would operate as a fraud or deceit upon the purchasers of such securities.

27. Brown and Fund X made the untrue statements and omissions of material fact and engaged in the devices, schemes, artifices, transactions, acts, practices and courses of business described above.

28. By reason of the foregoing, Brown and Fund X have violated Sections 17(a)(2) and (3) of the Securities Act [15 U.S.C. § 77q(a)(2)-(3)].

COUNT III

Violations of Section 10(b) of the Exchange Act, and Exchange Act Rule 10b-5 (Against Defendants Brown and Fund X)

29. Paragraphs 1 through 28 are realleged and incorporated by reference.

30. As more fully described in paragraphs 1 through 18 above, Brown and Fund X, in connection with the purchase and sale of securities, by the use of the means and instrumentalities of interstate commerce and by the use of the mails, directly and indirectly: used and employed devices, schemes and artifices to defraud; made untrue statements of material fact and omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and engaged in acts, practices and courses of business which operated or would have operated as a fraud and deceit upon purchasers and sellers and prospective purchasers and sellers of securities.

31. Brown and Fund X knew, or were reckless in not knowing, of the facts and circumstances described in paragraphs 1 through 28 above.

32. By reason of the foregoing, Brown and Fund X violated Section 10(b) of the Exchange Act [15 U.S.C. §78j(b)] and Rule 10b-5 thereunder [17 C.F.R. 240.10b-5].

COUNT IV

Violations of Advisers Act Sections 206(1) and 206(2) (Against Defendant Brown)

33. Paragraphs 1 through 32 are realleged and incorporated by reference.

34. At all times relevant to this Complaint, Brown acted as an investment adviser to the defrauded investors in Fund X.

35. As more fully described in paragraphs 1 through 18 above, at all times alleged in this Complaint, Brown, while acting as an investment adviser, by use of the mails, and the means and instrumentalities of interstate commerce, directly or indirectly, knowingly, willfully or recklessly: (i) employed devices, schemes or artifices to defraud its clients or prospective clients; and (ii) engaged in transactions, practices and courses of business which have operated as a fraud or deceit upon its clients or prospective clients.

36. By reason of the foregoing, Brown has violated Sections 206(1) and 206(2) of the Advisers Act. [15 U.S.C. §§ 80b-6(1) and 80b-6(2)].

COUNT V

**Violation of Advisers Act
Section 206(4) and Rule 206(4)-8 Thereunder
(Against Defendant Brown)**

37. Paragraphs 1 through 36 are realleged and incorporated by reference.

38. At all times relevant to this Complaint, Brown acted as an investment adviser as defined under the Advisers Act. Brown managed investments at Wildwood in exchange for compensation in the form of management fees, and also managed the investments in Fund X in exchange for compensation in the form of misappropriated investor funds.

39. As more fully described in paragraphs 1 through 18 above, at all times alleged in this Complaint, Brown, while acting as an investment adviser, by use of the mails, and the means and instrumentalities of interstate commerce, directly or indirectly: engaged in acts, practices or courses of business which are fraudulent, deceptive, or manipulative. Brown made untrue statements of a material fact or omitted to state a material fact necessary to make the statements made, in the light of the circumstances under which they were made, not misleading, to any investor or prospective investor in the pooled investment vehicle, and otherwise engaged in acts, practices or courses of business that was fraudulent, deceptive, or manipulative with respect to any investor or prospective investor in the pooled investment vehicle.

40. By reason of the foregoing, Brown violated Section 206(4) of the Advisers Act. [15 U.S.C. § 80b-6(4)] and Rule 206(4)-8 [17 C.F.R. 275.206(4)-8] thereunder.

RELIEF REQUESTED

WHEREFORE, the Commission respectfully requests that this Court:

I.

Issue findings of fact and conclusions of law that the Defendants committed the violations charged and alleged herein.

II.

Enter an Order of Permanent Injunction restraining and enjoining the Defendants, their officers, agents, servants, employees, attorneys and those persons in active concert or participation with them who receive actual notice of the Order, by personal service or otherwise, and each of them from, directly or indirectly, engaging in the transactions, acts, practices or courses of business described above, or in conduct of similar purport and object, in violation of Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)], Section 10(b) of the Exchange Act [15 U.S.C. § 78j] and Rule 10b-5 [17 CFR § 240.10b-5] thereunder.

III.

Enter an Order of Permanent Injunction restraining and enjoining Defendant Brown, her officers, agents, servants, employees, attorneys and those persons in active concert or participation with her who receive actual notice of the Order, by personal service or otherwise, and each of them from, directly or

indirectly, engaging in the transactions, acts, practices or courses of business described above, or in conduct of similar purport and object, in violation of Sections 206(1), 206(2) and 206(4) of the Advisers Act [15 U.S.C. §§ 80b-6(1), 80b-6(2), and 80b-6(4)] and Rule 206(4)-8 thereunder [17 C.F.R. § 275.206(4)-8].

IV.

Issue an Order requiring Defendants to disgorge the ill-gotten gains they received as a result of the violations alleged in this Complaint, including prejudgment interest.

V.

With regard to the Defendant Brown's violative acts, practices and courses of business set forth herein, issue an Order imposing upon Brown appropriate civil penalties pursuant to Section 20(d) of the Securities Act [15 U.S.C. § 77t(d)], and Section 21(d)(3) of the Exchange Act [15 U.S.C. § 78u(d)(3)], and Section 209(e) of the Advisers Act [15 U.S.C. § 80b-9(e)].

VI.

Retain jurisdiction of this action in accordance with the principals of equity and the Federal Rules of Civil Procedure in order to implement and carry out the terms of all orders and decrees that may be entered or to entertain any suitable application or motion for additional relief within the jurisdiction of this Court.

VII.

Grant such other relief as this Court deems appropriate.

JURY DEMAND

The Commission hereby requests a trial by jury.

A handwritten signature in black ink, appearing to read 'Jonathan S. Polish', is written over a horizontal line.

Jonathan S. Polish

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