

Division of Securities  
Utah Department of Commerce  
160 East 300 South, 2<sup>nd</sup> 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:**

**BRRAE, LLC  
B. RONALD BROWN**

**Respondents.**

**ORDER TO SHOW CAUSE**

**Docket No. SD-08-0057**

**Docket No. SD-08-0058**

It appears to the Director of the Utah Division of Securities (Director) that BRRAE, LLC and B. Ronald Brown may 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 the Respondents and the subject matter is appropriate because the Division alleges that the Respondents violated §§ 61-1-1 (securities fraud) and 61-1-3

(Sale by Unlicensed Agent) of the Act, while engaged in the offer and sale of securities in Utah.

### **STATEMENT OF FACTS**

#### **THE RESPONDENTS**

2. BRRAE, LLC (BRRAE) was registered as a Utah limited liability company on September 6, 2006, and its entity status is currently “active.” B. Ronald Brown is the registered agent, and one of two managers and members of BRRAE, the other being Randy J. Bradley.
3. B. Ronald Brown (Brown) resides in Utah County, Utah.

#### **GENERAL ALLEGATIONS**

4. In March 2007, Brown went to investors WN and DN’s (husband and wife) home in Utah County, Utah, and offered them the opportunity to invest in real estate.
5. Brown told WN and DN the following regarding the investment opportunity:
  - a. Brown invested \$80,000 in the same investment, and had been involved with the investment for about three years;
  - b. Brown was able to purchase a truck using the interest payments Brown received from the investment;
  - c. WN’s and DN’s investment funds would be given to another individual, who would invest the funds in “real estate and other investments;”

- d. WN and DN would receive interest of three percent per month, documented in a promissory note;
  - e. WN and DN could not lose their invested funds with this investment;
  - f. The worst thing that could happen is WN and DN would only get their principal back.
6. Brown failed to tell WN and DN, among other things, that Brown filed for bankruptcy in 2003 and had a history of civil litigation, one action of which alleged fraud.
  7. On or about April 10, 2007, WN and DN invested \$100,000 with Brown by giving Brown a personal check made payable to BRRAE.
  8. Brown picked up the check from WN and DN's home, and in return gave WN and DN a \$100,000 promissory note. The promissory note included interest of three percent per month, for a term of eight months, and appears to have been signed by Brown on behalf of BRRAE.
  9. The promissory note states that it is secured by the "relative portion of the total equity of real estate holdings of borrower [BRRAE] . . . as verified by independent appraisal, [the real estate holdings] shall have a substantially similar or greater market value to the principal sum owing related to this note."
  10. Bank records reveal that WN's and DN's investment funds went from BRRAE's account at JPMorgan Chase bank (Brown is the only authorized signatory on the account), to

Race, LLC's<sup>1</sup> bank account at Zions Bank, and then from Race, LLC to Founders Capital, LLC<sup>2</sup>.

11. After investing, WN and DN received an interest payment from BRRAE in June, July, and August 2007, for a total of \$9,000.
12. When WN and DN did not receive their September 2007 payment, WN contacted Brown. Brown told WN their investment funds were given to an individual named Rick Koerber, the owner / operator of Founders Capital, LLC.
13. Brown said Koerber was smart and made a lot of investments, and that the "authorities" were causing problems with the investment.
14. Brown told WN and DN he would pay them back out of his own pocket.
15. Brown also mentioned that Brown made 1% per month on WN's and DN's investment.
16. On or about November 14, 2007, WN and DN mailed a letter to Brown asking for the return of their investment funds within 60 days.
17. WN and DN received no response from Brown regarding the letter.
18. WN and DN are still owed \$100,000 in principal alone.

---

<sup>1</sup> Race, LLC is a Utah limited liability company, whose registered agent and sole member and manager is Randy J. Bradley.

<sup>2</sup> Founders Capital, LLC is a Utah limited liability company whose sole manager is Hill Erickson, LLC. Hill Erickson, LLC's sole manager is CRK Central Management, LLC. CRK Central Management's sole member is KF Reserve, LLC (formerly Franklin Squires Investments, LLC). KF Reserve LLC's sole manager is CRK Central Management, LLC.

## CAUSES OF ACTION

### COUNT I

#### Securities Fraud under § 61-1-1(2) of the Act (BRRAE, LLC and B. Ronald Brown)

19. The Division incorporates and re-alleges paragraphs 1 through 18.
20. The promissory note offered and sold by BRRAE and Brown to investors is a security under § 61-1-13 of the Act.
21. In connection with the offer and sale of a security in or from Utah, BRRAE and Brown, directly or indirectly, made false statements, including, but not limited to, the following:
  - a. WN and DN would receive interest of 3% per month;
  - b. The worst thing that could happen is WN and DN would receive just their principal;
  - c. WN and DN could not lose their invested funds with this investment; and
  - d. The investment was secured by BRRAE's real estate holdings.
22. In connection with the offer and sale of a security in or from Utah, BRRAE and 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. Brown was going to receive a commission from Race, LLC for obtaining investment funds from WN and DN;

- b. Brown filed bankruptcy in April 2003;
  - c. Brown had several Utah State tax liens filed against him in 1990;
  - d. Brown had a history of civil litigation, one action of which alleged fraud; and
  - e. Some or all of the information typically provided in an offering circular or prospectus regarding BRRAE, LLC, such as:
    - i. Identities of the principals for BRRAE, Race, LLC, and Founders Capital, LLC, along with their experience with investing in real estate;
    - ii. Financial statements for BRRAE;
    - iii. The minimum capitalization needed to participate in the investment;
    - iv. Discussion of pertinent suitability factors for the investment;
    - v. The proposed use of the investment funds;
    - vi. Whether the investment is a registered security or exempt from registration; and
    - vii. Whether the person selling the investment is licensed.
23. Based upon the foregoing, BRRAE, LLC and B. Ronald Brown violated § 61-1-1 of the Act.

**COUNT II**  
**Sale by Unlicensed Agent under § 61-1-3(1) of the Act**  
**(B. Ronald Brown)**

24. The Division incorporates and re-alleges paragraphs 1 through 23.

25. Brown offered or sold a security in or from Utah.
26. When offering and selling the security on behalf of BRRAE, Brown was acting as an agent of an issuer.
27. Brown has never been licensed to sell securities in Utah as an agent of this issuer, or any other issuer.
28. Based on the above information, B. Ronald Brown violated § 61-1-3(1) of the Act.

### **ORDER**

The Director, pursuant to § 61-1-20 of the Act, hereby orders the Respondents 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 June 3rd, 2008, at 9:00 a.m., at the office of the Utah Division of Securities, located in the Heber Wells Building, 160 East 300 South, 2<sup>nd</sup> Floor, Salt Lake City, Utah. The purpose of the hearing is to establish a scheduling order and address any preliminary matters. If the 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. § 63-46b-11. In lieu of default, the Division may decide to proceed with the hearing under § 63-46b-10. At the hearing, the Respondents may show cause, if any they have:

- a. Why BRRAE, LLC and B. Ronald Brown should not be found to have engaged in the violations alleged by the Division in this Order to Show Cause;
- b. Why BRRAE, LLC and B. Ronald 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 Brrae, LLC and B. Ronald Brown should not be ordered to pay a fine, jointly and severally, of one hundred twenty five thousand dollars (\$125,000) to the Division of Securities, which may be reduced by money paid back to the victim.

DATED this 9<sup>th</sup> day of May, 2008.

  
THAD LEVAR  
Acting Director, Utah Division of Securities



Approved:

  
SCOTT DAVIS  
Assistant Attorney General

J. N.

Division of Securities  
Utah Department of Commerce  
160 East 300 South, 2<sup>nd</sup> 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:**

**BRRAE, LLC  
B. RONALD BROWN**

**Respondents.**

**NOTICE OF AGENCY ACTION**

**Docket No. SD-08-0057  
Docket No. SD-08-0058**

THE DIVISION OF SECURITIES TO THE ABOVE-NAMED RESPONDENTS:

The purpose of this Notice of Agency Action is to inform you that the Division hereby commences a formal adjudicative proceeding against you as of the date of the mailing of the Order to Show Cause. The authority and procedure by which this proceeding is commenced are provided by Utah Code Ann. §§ 63-46b-3 and 63-46b-6 through 11. The facts on which this action is based are set forth in the foregoing Order to Show Cause.

Within thirty (30) days of the mailing date of this notice, you are required to file an Answer with the Division. The Answer must include the information required by Utah Code § 63-46b-6 (1). In addition, you are required by § 63-46b-6 (3) to state: a) by paragraph, whether

you admit or deny each allegation contained in the Order to Show Cause, including a detailed explanation for any response other than an unqualified admission; b) any additional facts or documents which you assert are relevant in light of the allegations made; and c) any affirmative defenses (including exemptions or exceptions contained within the Utah Uniform Securities Act) which you assert are applicable. To the extent that factual allegations or allegations of violations contained in the Order to Show Cause are not disputed in your Answer, they will be deemed admitted.

Your Answer, 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  
Division of Securities  
160 E. 300 S., Second Floor  
Box 146760  
Salt Lake City, UT 84114-6760  
(801) 530-6600

A copy to:

Scott Davis  
Assistant Attorney General  
160 E. 300 S., Fifth Floor  
Box 140872  
Salt Lake City, UT 84114-0872  
(801) 366-0310

A hearing date has been set for Tuesday, June 3rd, 2008, at 9:00 a.m., at the office of the Utah Division of Securities, located in the Heber Wells Building, 160 East 300 South, 2<sup>nd</sup> Floor, Salt Lake City, Utah.

If you fail to file an Answer, as set forth herein, or fail to appear at the hearing, the Division of Securities may hold you in default, and a fine and other sanctions may be imposed

against you in accordance with Utah Code Ann. § 63-46b-11, without the necessity of providing you with any further notice. In lieu of default, the Division may decide to proceed with the hearing under § 63-46b-10. At the hearing, you may appear and be heard and present evidence on your behalf. You may be represented by counsel during these proceedings.

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. Pursuant to U.C.A. Subsection 63-46b-2(1)(h), Mr. Eklund is hereby designated as presiding officer for the purpose of conducting this formal administrative proceeding. Questions regarding the Order to Show Cause and Notice of Agency Action should be directed to the Division's attorney, Scott Davis, at (801) 366-0310.

DATED this 9<sup>th</sup> day of May, 2008.

  
THAD LEVAR  
Acting Director, Division of Securities  
Utah Department of Commerce



**Certificate of Mailing**

I certify that on the 8TH day of MAY, 2008, I mailed, via certified mail, a true and correct copy of the Order to Show Cause and Notice of Agency Action to:

B. Ronald Brown and BRRAE, LLC  
635 East 1355 S.  
Springville, UT 84663

Certified Mail # 70041160000301960235

PAM RADZINSKI  
Executive Secretary