

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

UNITED STATES OF AMERICA)
) Case No.
)
) Violation: 18 U.S.C. § 1341
)
) **Indictment**
STEPHEN C. BROWERE)

COUNT ONE

The SPECIAL SEPTEMBER 2014 GRAND JURY charges:

1. At times relevant to this indictment:

INDIVIDUALS INVOLVED

a. Defendant STEPHEN C. BROWERE was the founder, principal, and manager of Stephens Capital Management, Inc., based in Geneva, Illinois. Stephens Capital Management was registered with the Illinois Secretary of State Securities Department as an investment adviser. Defendant BROWERE was an investment adviser representative who, through Stephens Capital Management, was in the business of providing investment advice and investing funds for others. Defendant BROWERE’s clients included individuals and small businesses who had personal investment accounts, retirement savings accounts, and investment portfolios. With certain investors, defendant BROWERE entered written investment agreements. The investment agreements granted defendant BROWERE “discretionary authority to manage the investment and reinvestment of certain cash, securities or other properties” of the investors. In the investment agreements,

defendant BROWERE agreed that he “shall comply with the highest standards of professional investment conduct and responsibility” and would give investors “the benefit of [his] judgment, efforts and facilities” in rendering investment services. The investment agreements also provided that defendant BROWERE would provide to investors “on a regular basis ... financial reports and analyses on [the investor’s] assets,” and further provided the specific manner in which defendant BROWERE’s fees were to be calculated.

b. Individual A was a principal and the sole shareholder of Douglas Capital Corporation. Individual A was defendant STEPHEN C. BROWERE’s stepfather.

DOUGLAS CAPITAL CORPORATION

c. Douglas Capital Corporation was incorporated in the State of Illinois by Individual A in or about 1993. Regulatory filings with the State of Illinois identified Individual A as the President of the company.

d. Douglas Capital Corporation purported to be a “financing and investment banking concern whose mission is to generate cash and profits, increasing the value of the company,” and purported to solicit customers who were “intelligent business owners, professionals and individuals seeking alternatives to institutional financing.” Douglas Capital Corporation generated its financing through promissory notes solicited to investors by defendant STEPHEN C. BROWERE. Douglas Capital Corporation purported to “plan to use the proceeds to purchase secured loans and any other debt or equity investments deemed

appropriate by [the] Corporation.” Douglas Capital Corporation purported to provide investors “quarterly income through secured or collateralized financing, debt and/or equity investments, and other business activities.”

e. On advice from defendant STEPHEN C. BROWERE, investors purchased promissory notes issued by Douglas Capital Corporation. The promissory notes promised to pay investors the sum of the investors’ principal investment with interest on the principal investment at a rate of return of up to 8.50% per year. According to the promissory notes, investors were entitled to repayment of their principal at the end of the year.

f. Investors funded the Douglas Capital Corporation promissory notes either through direct payment to Douglas Capital Corporation, or by transfers from qualified retirement plans and individual retirement accounts.

g. Defendant STEPHEN C. BROWERE and Individual A had signature authority and controlled bank accounts for Douglas Capital Corporation.

THE VICTIMS

h. Defendant STEPHEN C. BROWERE solicited to manage and did manage investments of a number of businesses and individuals from Illinois and elsewhere. The individual investors included Victim EK, Victim JA, Victim JC, Victim JF, Victim JY, Victim KG, Victim LP, Victim MP, Victim PS, and Victim RM. On advice of defendant BROWERE, investors, including Victim JA, Victim JC, Victim JF, Victim JY, Victim KG, Victim LP, Victim MP, Victim PS, and Victim RM, invested more than \$1.66 million in Douglas Capital Corporation.

i. Investor EK was an elderly and infirm person with dementia from the area of Chicago, Illinois. Defendant STEPHEN C. BROWERE obtained a power of attorney on behalf of Victim EK, which gave defendant BROWERE access to Victim EK's money and property, valued in excess of approximately \$2.1 million. When Victim EK passed away in or about January 2012, defendant BROWERE maintained control over Victim EK's estate.

THE SCHEME TO DEFRAUD

2. Beginning no later than in or about 2007 and continuing until in or about February 2014, at Geneva, in the Northern District of Illinois, Eastern Division, and elsewhere,

STEPHEN C. BROWERE,

defendant herein, devised, intended to devise, and participated in a scheme to defraud and to obtain money and property of prospective investors and investors by means of materially false and fraudulent pretenses, representations, and promises, and by concealment of material facts, as described below.

3. It was part of the scheme that defendant STEPHEN C. BROWERE fraudulently obtained and retained under management investors' funds by, among other things, falsely representing and causing to be falsely represented the use of investors' funds, the value of investments, the risks associated with investing with defendant BROWERE, and the profitability of investing with defendant BROWERE. In order to conceal the scheme and to retain possession of investors'

funds, defendant BROWERE caused to be created and distributed and created and distributed via U.S. mail false and misleading account statements to investors.

4. It was further part of the scheme that defendant STEPHEN C. BROWERE falsely represented and caused to be falsely represented to prospective investors and investors that investors' funds would be invested in a manner consistent with the risk profile and objectives selected by investors when, in fact, defendant BROWERE misappropriated and misused investors' funds for his own personal benefit and for the benefit of others associated with him, and defendant BROWERE also used an undisclosed high-risk investment strategy inconsistent with and unsuitable for investors' risk profile and objectives.

5. It was further part of the scheme that in order to conceal the scheme, to encourage investors to invest more funds, and to otherwise lull investors into a false sense of security, defendant STEPHEN C. BROWERE created and distributed and caused to be created and distributed via U.S. mail to investors false and misleading account statements. Account statements were misleading in that they (a) inflated the market performance of investors' portfolios, and (b) concealed losses incurred by defendant BROWERE as a result of his misuse and misappropriation of investments, as well as his undisclosed high-risk investment strategy.

6. It was further part of the scheme that defendant STEPHEN C. BROWERE solicited prospective investors and investors to invest and continue to invest substantial amounts of money, including investors' life savings, retirement savings and retirement accounts, a total of approximately \$1.66 million in Douglas

Capital Corporation promissory notes by falsely representing and causing to be falsely represented that funds invested in Douglas Capital Corporation would be used to make investments that would be safe and would provide competitive interest payments as well as the future redemption of investors' principal when, in fact, defendant BROWERE used investors' funds for defendant BROWERE's own benefit and for other undisclosed purposes, including personal payments to defendant BROWERE, trading in personal investment portfolios for defendant BROWERE and others associated with him, as well as the purchase and upkeep of a yacht and luxury vehicle for defendant BROWERE. Defendant BROWERE also misappropriated and misused and caused to be misappropriated and misused investors' funds to make interest payments and principal redemptions to other investors without disclosing to investors the true source of the payments.

7. It was further part of the scheme that defendant STEPHEN C. BROWERE falsely represented and caused to be falsely represented to potential investors and investors that defendant BROWERE did not have an interest in Douglas Capital Corporation when, in fact, defendant BROWERE was responsible for the day-to-day operations of Douglas Capital Corporation, had access to bank accounts and lines of credit held by Douglas Capital Corporation, and had a pecuniary interest in Douglas Capital Corporation.

8. It was further part of the scheme that defendant STEPHEN C. BROWERE falsely represented and caused to be falsely represented to potential investors and investors that defendant BROWERE had an arms-length business

arrangement with Individual A when, in fact, Individual A was defendant BROWERE's stepfather and Individual A assisted defendant BROWERE with the operation of Douglas Capital Corporation.

9. It was further part of the scheme that defendant STEPHEN C. BROWERE falsely represented and caused to be falsely represented to potential investors and investors that they would receive their principal investments back from Douglas Capital Corporation at the conclusion of the agreed-upon term of the promissory note, and that defendant STEPHEN C. BROWERE failed to return to investors their principal at the conclusion of the agreed-upon term of the promissory notes when requested by investors.

10. It was further part of the scheme that, beginning no later than 2008, defendant STEPHEN C. BROWERE made and caused to be made principal payments to investors in Douglas Capital Corporation using funds from new and existing investors, not from investment returns, for the purpose of prolonging and concealing the scheme.

11. It was further part of the scheme that defendant STEPHEN C. BROWERE knowingly provided and caused to be sent to Douglas Capital Corporation investors via U.S. mail quarterly account statements that defendant BROWERE knew falsely represented the safety and availability of investors' principal, and falsely represented the source of interest payments.

12. It was further part of the scheme that, beginning in or about August 2008 and continuing until in or about September 2008, defendant STEPHEN C.

BROWERE misappropriated and misused and caused to be misappropriated and misused Victim EK's money and property to purchase four vacant lots in Lisle, Illinois, which defendant BROWERE then transferred ownership of to Douglas Capital Corporation in or about January 2009.

13. It was further part of the scheme that, on or about August 25, 2010, defendants STEPHEN C. BROWERE sent and caused to be sent via United States mail to investors a false and misleading letter, advising investors in Douglas Capital Corporation that interest payments on the company's issued promissory notes would be reduced to 2.5% and delaying payment of investors' principal until further notice. The letter misled investors by blaming Douglas Capital Corporation's financial problems on the "economic melt down [sic]," and the "current banking system and new government rules and regulations that continue to create havoc in this area of the economy," when defendant BROWERE knew and had reason to know that the actual reasons for Douglas Capital Corporation's financial problems were requests by Douglas Capital Corporation investors to redeem their principal, an inability to solicit new investors, the diminishing value of Victim EK's money and property due to defendant BROWERE's misuse and misappropriation of her money and property to make interest and principal payments to other investors and personal payments to defendant BROWERE and others, as well as the misuse and misappropriation of investors' principal to make interest and principal payments to other investors.

14. It was further part of the scheme that, beginning no later than 2010, defendant STEPHEN C. BROWERE extended and caused to be extended investors' Douglas Capital Corporation promissory notes knowing that Douglas Capital Corporation did not have funds available to satisfy investors' requests for the redemption of the principal.

15. It was further part of the scheme that defendant STEPHEN C. BROWERE concealed, misrepresented, and hid, and caused to be concealed, misrepresented, and hidden, the existence of the scheme, the purposes of the scheme, and the acts done in furtherance of the scheme.

16. On or about July 18, 2011, at Geneva, in the Northern District of Illinois, Eastern Division, and elsewhere,

STEPHEN C. BROWERE,

defendant herein, for the purpose of executing the scheme, knowingly caused to be delivered by United States mail according to the directions thereon to Victim JF at an address in Naperville, Illinois, a false and misleading Douglas Capital Corporation account statement;

In violation of Title 18, United States Code, Section 1341.

COUNTS TWO - EIGHT

The SPECIAL SEPTEMBER 2014 GRAND JURY further charges:

1. The allegations in Paragraphs One through Fifteen of Count One of this indictment are incorporated here.

2. On or about the dates set forth below, at Geneva, in the Northern District of Illinois, Eastern Division, and elsewhere,

STEPHEN C. BROWERE,

defendant herein, for the purpose of executing the scheme, knowingly caused to be delivered by United States mail false and misleading Douglas Capital Corporation account statements, as further described below:

Count	Date	Description
Two	July 18, 2011	Douglas Capital Corporation account statement to Investor RM in Downers Grove, Illinois;
Three	October 17, 2011	Douglas Capital Corporation account statement to Investor RM in Downers Grove, Illinois;
Four	January 31, 2012	Douglas Capital Corporation account statement to Investor JF in Naperville, Illinois;
Five	July 19, 2012	Douglas Capital Corporation account statement to Investor JA in Chicago, Illinois;
Six	October 18, 2012	Douglas Capital Corporation account statement to Investor JA in Chicago, Illinois;
Seven	January 18, 2013	Douglas Capital Corporation account statement to Investor JA in Chicago, Illinois; and
Eight	February 4, 2013	Douglas Capital Corporation account statement to Investor JF in Naperville, Illinois.

In violation of Title 18, United States Code, Section 1341.

FORFEITURE ALLEGATION

The SPECIAL SEPTEMBER 2014 GRAND JURY further alleges:

1. Upon conviction of an offense in violation of Title 18, United States Code, Section 1341, as set forth in this Indictment, defendant STEPHEN C. BROWERE shall forfeit to the United States of America any property which constitutes and is derived from proceeds traceable to the offense, as provided in Title 18, United States Code, Section 981(a)(1)(C) and Title 28, United States Code, Section 2461(c).

2. The property to be forfeited includes, but is not limited to the following specific property:

a. The real property commonly known as 534 Dempsey Place, Geneva, Illinois, legally described as follows:

LOT 35 OF UNIT 4, BLACKBERRY SUBDIVISION,
GENEVA, IN KANE COUNTY, IN THE CITY OF
GENEVA, ILLINOIS.

PIN 12-04-130-008-0000.

b. The real property commonly known as Vacant Lot 008 and 009, Lisle, Illinois, legally described as follows:

LOT 4, EXCEPT THE EAST PART MEASURING 17.1
FEET ON THE FORTH LINE OF SAID LOT 4 AND 16.7
FEET ON THE SOUTH LINE IN BLOCK 5 IN ARTHUR
T. MCINTOSH AND CO.'S LISLE FARMS, BEING A
SUBDIVISION OF LOTS 2 TO 12 (EXCEPT PARTS OF
10 AND 11) OF ASSESSMENT PLAT OF PARTS OF
SECTIONS 10, 11, 14 AND 15, TOWNSHIP 38 NORTH,
RANGE 10, EAST OF THE THIRD PRINCIPAL
MERIDIAN, ACCORDING TO THE PLAT OF SAID
ARTHUR T. MCINTOSH AND CO.'S LISLE FARMS

RECORDED DEC. 31, 1924, AS DOC. 186704, IN DUPAGE COUNTY, ILLINOIS.

PIN 08-15-210-008.

LOT 3 (EXCEPT THE EAST PART MEASURING 17.1 FEET ON THE NORTH LINE AND 17.1 FEET ON THE SOUTH LINE) IN BLOCK 5 IN ARTHUR T. MCINTOSH AND CO.'S LISLE FARMS, BEING A SUBDIVISION OF LOTS 2 TO 12, (EXCEPT PARTS OF 10 AND 11) OF ASSESSMENT PLAT OF PARTS OF SECTIONS 10, 11, 14 AND 15, TOWNSHIP 38 NORTH, RANGE 10, EAST OF THE THIRD PRINCIPAL MERIDIAN, ACCORDING TO THE PLAT OF SAID ARTHUR T. MCINTOSH AND CO.'S LISLE FARMS RECORDED DEC. 31, 1924, AS DOC. 186704, DUPAGE COUNTY, ILLINOIS.

PIN 08-15-210-009.

- c. The real property commonly known as Vacant Lot 005 and 008,

Lisle, Illinois, legally described as follows:

LOT 5 (EXCEPT THE EAST PART MEASURING 16.7 FEET ON NORTH LINE AND 16.2 FEET ON SOUTH LINE) AND LOT 8 IN BLOCK 5 IN ARTHUR T. MCINTOSH AND COMPANY'S LISLE FARMS, BEING A SUBDIVISION OF LOTS 2 TO 12 INCLUSIVE (EXCEPT PARTS OF LOTS 10 AND 11) OF ASSESSMENT PLAT OF PART OF SECTIONS 10, 11, 14 AND 15 TOWNSHIP 38 NORTH, RANGE 10, EAST OF THE THIRD PRINCIPAL MERIDIAN, ACCORDING TO THE PLAT OF SAID ARTHUR T. MCINTOSH AND COMPANY'S LISLE FARMS RECORDED DECEMBER 31, 1924, AS DOCUMENT 186704, IN DUPAGE COUNTY, ILLINOIS.

PIN 08-15-210-010 and 08-15-210-013.

- d. The real property commonly known as 5712 Lincoln Avenue,

Lisle, Illinois, legally described as follows:

LOTS 6 AND 7 IN BLOCK 5 IN ARTHUR T. MCINTOSH AND CO'S LISLE FARMS, BEING A SUBDIVISION OF LOTS 2 TO 12 (EXCEPT PARTS OF 10 AND 11) OF ASSESSMENT PLAT OF PARTS OF SECONDS 10, 11, 14 AND 15, TOWNSHIP 38 NORTH, RANGE 10, EAST OF THE THIRD PRINCIPAL MERIDIAN, ACCORDING TO THE PLAT OF SAID ARTHUR T. MCINTOSH AND CO'S LISLE FARMS, RECORDED DECEMBER 31, 1924 AS DOCUMENT 186704, IN DUPAGE COUNTY, ILLINOIS.

PIN 08-15-210-011 and 08-15-210-012.

e. The real property commonly known as 5716 Lincoln Avenue, Lisle, Illinois, legally described as follows:

LOTS 9 AND 10 (EXCEPT THAT PART OF SAID LOTS LYING EAST OF A LINE DRAWN FROM A POINT ON THE NORTH LINE OF LOT 9, 14.7 FEET WEST OF THE EAST LINE OF SAID LOT, TO A POINT ON THE SOUTH LINE OF LOT 10, 13.6 FEET WEST OF THE EAST LINE OF SAID LOT 10) IN BLOCK 5 IN ARTHUR T. MCINTOSH AND COMPANY'S LISLE FARMS, A SUBDIVISION IN SECTIONS 10, 11, 14 AND 15, TOWNSHIP 38 NORTH, RANGE 10, EAST OF THE THIRD PRINCIPAL MERIDIAN, ACCORDING TO THE PLAT THEREOF RECORDED DECEMBER 31, 1924 AS DOCUMENT 186704, IN DUPAGE COUNTY, ILLINOIS.

PIN 08-15-210-014 and 08-15-210-015.

f. The real property commonly known as 5722 Lincoln Avenue, Lisle, Illinois, legally described as follows:

LOTS 11, 12 (EXCEPT THE EAST PART THEREOF MEASURING 13.6 FEET ON THE NORTH LINE OF LOT 11 AND 12.4 FEET ON THE SOUTH LINE OF LOT 12, DEDICATED FOR RIGHT OF WAY PURPOSES ONLY) AND LOT 13 IN BLOCK 5 IN ARTHUR T. MCINTOSH AND COMPANY'S LISLE FARMS, BEING A SUBDIVISION OF LOTS 2 TO 12 INCLUSIVE EXCEPT PARTS OF 10 AND 11 OF ASSESSMENT

PLAT OF PARTS OF SECTIONS 10, 11, 14 AND 15,
TOWNSHIP 38 NORTH, RANGE 10, EAST OF THE
THIRD PRINCIPAL MERIDIAN, DUPAGE COUNTY,
ILLINOIS, TOGETHER WITH THE TENEMENTS AND
APPURTENANT THEREUNTO BELONGING.

PIN 08-15-210-018 and 08-15-210-019.

3. If any of the property described above, as a result of any act or omission by a defendant: cannot be located upon the exercise of due diligence; has been transferred or sold to, or deposited with, a third party; has been placed beyond the jurisdiction of the Court; has been substantially diminished in value; or has been commingled with other property which cannot be divided without difficulty, the United States of America shall be entitled to forfeiture of substitute property, as provided in Title 21, United States Code Section 853(p).

A TRUE BILL:

FOREPERSON

UNITED STATES ATTORNEY