

BEFORE THE
STATE OF WISCONSIN
DEPARTMENT OF FINANCIAL INSTITUTIONS
DIVISION OF SECURITIES

In the Matter of

CEASE AND DESIST ORDER
(CONSENT)

WARREN W. WENDT

File No. S-220795 (EX)

and

INTELLIGENT CAPITAL INVESTMENTS, LLC,

Respondents.

The Administrator of the State of Wisconsin, Department of Financial Institutions, Division of Securities (“the Division”), having authority to administer and provide for enforcement of the Wisconsin Uniform Securities Law, Wis. Stats. Chapter 551, (“WUSL”), and having determined that this action is necessary and appropriate in the public interest and for the protection of investors, hereby enters this Order directing Respondent to immediately Cease and Desist from violating the WUSL.

Based upon the consent of the Respondent and the evidence obtained by the Division’s Bureau of Enforcement, there are grounds sufficient for the Administrator to make the following findings of fact and conclusions of law:

RESPONDENT

1. Warren W. Wendt, (“Wendt”) is an adult resident of the State of Illinois with last known residential addresses of 627 Hickory Lane, West Chicago, IL 60185 and 200N. Washington Street, Naperville, IL 60540.
2. Intelligent Capital Investments, LLC (“ICI”) was an Illinois limited liability company organized on or about March 22, 2007, and dissolved by the State of Illinois on or about September 11, 2009. At all material times, Wendt was a manager and control person for ICI.

FINDINGS OF FACT

3. In or about April 2007, Wendt approached G.R.¹, an individual resident of Wisconsin, and offered to sell him an equity interest in ICI.
4. In or about April 2007, G.R. invested approximately \$200,000 with ICI in exchange for membership interests in ICI, which granted G.R. an equity interest in ICI and the rights to share in profits generated by G.R.

¹ Investors are referred to by the first and last initials of their names.

5. Under the terms of the Operating Agreement for ICI that Wendt provided to potential investors to solicit their investments, investor-members of ICI would not have any right to control or oversee management of ICI, as such authority was vested in Wendt as the Managing Member and Chief Operating Officer.
6. In or about April 2007, Wendt transferred \$25,000 of funds invested by G.R. to another entity owned and controlled by Wendt called AFW Financial Group, LLC ("AFW"). The transfer of funds was contrary to the representations made in the prospectus that Wendt and ICI provided to investors regarding how invested funds would be used.
7. In or about July 2007, Wendt transferred an additional \$10,000 of G.R.'s invested funds into AFW, again contrary to the representations made in the prospectus that Wendt and ICI provided to investors to induce their investments in ICI.
8. In or about May 2007, Wendt entered into an agreement with Riopel Estates, LLC ("R.E"), a limited liability company organized and located in Wisconsin, whereby R.E. agreed to invest \$120,000 in exchange for LLC membership units in ICI.
9. In or about August 2007, Wendt used approximately \$100,000 of the funds invested in ICI to repair and improve his personal residence. The use of the investors' funds for Wendt's personal residence was contrary to the representations made in the prospectus that Wendt and ICI provided to potential investors in order to induce their investments in ICI.
10. From approximately July 2007 through September 2007, Wendt transferred more than \$50,000 of the funds contributed by ICI investors to personal trusts controlled by Wendt and his partner, Glenn Aldridge. The transfer of investors' funds to these trusts was contrary to the representations made in the prospectus that Wendt and ICI provided to potential investors in order to induce their investments in ICI.
11. In or about November 2007, Wendt offered and sold another investment in ICI to married residents of Wisconsin, A.R. and K.R. Those Wisconsin residents agreed to invest \$100,000 in ICI in exchange for LLC membership interests in ICI.
12. In or about November 2007, Wendt again offered and sold another investment in ICI to A.R. and K.R., whereby those Wisconsin residents agreed to invest an additional \$50,000 in ICI in exchange for LLC membership interests in ICI.
13. Neither Wendt nor ICI ever disclosed to any investors that they had used funds invested in ICI contrary to the representations that were made in the prospectus that Wendt and ICI distributed to induce investments in ICI.
14. After obtaining the invested funds, Wendt and ICI distributed some of the funds directly back to the investors under the false pretense that the distributions were dividends from profits generated by ICI. In fact, ICI had not generated any profits and Wendt and ICI were merely distributing investor funds directly back to the investors.

CONCLUSIONS OF LAW

15. The LLC membership units sold by Wendt and ICI to investors were securities pursuant to Wis. Stat. § 551.02(13) (2005-06).²
16. ICI and Wendt were issuers of securities as that term is defined in Wis. Stat. § 551.02(8) (2005-06).
17. As detailed above, Wendt and ICI violated Wis. Stat. § 551.41(2) (2005-06) by, in connection with the offer and sale of securities, making untrue statements of material fact and omitting to state material facts necessary in order to make the statements made, in light of the circumstances under which they are made, not misleading, including by making untrue statements of fact about how investor funds would be used and failing to disclose that investor funds had been misapplied.
18. Pursuant to Wis. Admin. Code § DFI-6.01, an issuer of securities or any person who is an officer, director or controlling person of the issuer is deemed to employ a "device, scheme or artifice to defraud" the purchasers of the securities within the meaning of Wis. Stat. § 551.41(1) (2005-06) if the person applies or authorizes or causes to be applied any material part of the proceeds from the sale of the securities in any material way contrary to the purposes specified in the prospectus used in the offering of the securities and not reasonably related to the business of the issuer as described in the prospectus.
19. As detailed above, ICI and Wendt applied investor funds contrary to the purposes specified in the offering documents distributed to investors, including by using investor funds for Wendt's personal expenses.
20. ICI and Wendt violated Wis. Stat. § 551.41(1) (2005-06) by employing a device, scheme, or artifice to defraud investors in connection with the offer and sale of promissory notes and limited partnership interests to those investors.

Therefore, pursuant to Wis. Stat. § 551.63,

IT IS ORDERED THAT:

- a. RESPONDENTS, their agents, servants, employees, and every entity and person directly or indirectly controlled or organized by or on their behalves, shall cease and desist from making or causing to be made to any person or entity in Wisconsin any further offers or sales of securities unless and until such securities qualify as covered securities or are registered under Wis. Stats. Ch. 551 or successor statute.
- b. All exemptions from registration set forth at Wis. Stats. Ch. 551 or successor statute that might otherwise apply to any offer or sale of any security of or by RESPONDENTS, their successors, affiliates, controlling persons, and every entity and person directly or indirectly controlled or organized by or on his behalf, are hereby revoked.
- c. RESPONDENTS, their successors, affiliates, controlling persons, officers, agents, servants, employees, and every entity and person directly or indirectly controlled or hereafter

² Pursuant to Wis. Stat. § 551.703, the applicable statutes are those in effect at the time of the violations alleged herein.

organized by or on their behalves, is prohibited from violating Wis. Stats. Ch. 551 or successor statute that might otherwise apply to any offer or sale of security of or by RESPONDENTS.

d. RESPONDENTS are prohibited from registering with the State of Wisconsin Division of Securities as a securities professional, including but not limited to investment adviser, investment adviser representative, broker-dealer agent, and agent for issuer.

This Order consented to by the Respondent prohibits Respondent from transacting securities business in the State of Wisconsin, effective upon the date issued, and shall have the same effect on Respondent as a permanent injunction entered by a circuit court pursuant to Wis. Stat. § 551.603(2)(a) (2007-08).

EXECUTED at Madison, Wisconsin, this 14th day of August, 2015.

(SEAL)



Patricia D. Struck
Administrator
Division of Securities