

**STATE OF ILLINOIS
SECRETARY OF STATE
SECURITIES DEPARTMENT**

IN THE MATTER OF: Stephen C. Browere and
Stephens Capital Management, Inc.

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) FILE NO. 1000024
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NOTICE OF HEARING

TO RESPONDENTS: Stephen C. Browere
 CRD# 1197139
 534 Dempsey Place
 Geneva, Illinois 60134

 Stephens Capital Management, Inc.
 CRD# 123570
 534 Dempsey Place
 Geneva, Illinois 60134

You are hereby notified that pursuant to Section 11.F of the Illinois Securities Law of 1953 [815 ILCS 5] (the "Act") and 14 Ill. Adm. Code 130, Subpart K, a public hearing will be held at 69 West Washington Street, Suite 1220, Chicago, Illinois 60602, on the 9th day of November 2012 at the hour of 10:00 a.m. or as soon as possible thereafter, before James L. Kopecky, Esq., or such other duly designated Hearing Officer of the Secretary of State.

Said hearing will be held to determine whether an Order shall be entered which would revoke Stephen C. Browere's registration as investor advisor representative in the State of Illinois and Stephen's Capital Management's registration as an Investment Advisor in the State of Illinois and/or granting such other relief as may be authorized under the Act including but not limited to the imposition of a monetary fine in the maximum amount pursuant to Section 11.E of the Act, payable within ten (10) business days of the entry of the Order.

The grounds for such proposed action are as follows:

1. That Respondent Stephen C. Browere (hereinafter "Browere") is an individual whose last known address is 534 Dempsey Place, Geneva, Illinois 60134.

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2. That Respondent Browere is registered with the State of Illinois as an Investor Advisor Representative through his employment with Stephens Capital Management, Inc. His CRD# is 1197139.
3. That Respondent Stephens Capital Management, Inc. (hereinafter "SCM") is registered with the State of Illinois as an investor advisor SCM's CRD# is 123570.
4. That at all relevant times Respondent Browere was the sole owner and president of Respondent SCM, which is an Illinois corporation.
5. That Investor A is the trustee of a 401k Pension Plan with approximately 30 participants.
6. That on October 15, 2006 Browere on behalf of SCM entered into a written agreement ("Agreement") with Investor A whereby SCM would be the investment advisor for the Pension Plan.
7. That per the Agreement Browere received an advisory fee of 1.15 per cent annually payable quarterly based on the quarterly market value of the assets in the Pension Plan.
8. That the Pension Plan was serviced by a third party administrator ("TPA") whose duties included providing the Pension Plan participants with quarterly statements of his or her account balances.
9. That Browere's duties as the Investment Advisor Representative was to recommend for the Pension Plan a number of mutual funds for the participants to allocate his or her investment.
10. That Browere also included as an option for the Pension Plan participants a trading fund ("SCM FUND") managed by Browere and traded through Ameritrade.
11. That the Pension Plan Participates in July 2008 transferred approximately \$334,000 into the SCM FUND and an additional \$115,845 in October 2008.
12. That Browere received quarterly statements from Ameritrade for the SCM FUND and initially sent this information to the TPA for allocation to the individual Pension Plan participant's accounts.
13. That between October 1, 2008 and July 31, 2009 Browere invested in and traded highly risky securities resulting in substantial losses in excess of \$263,000 or 63 % of the account.

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14. That Browere in order to conceal these losses from the Pension Plan Participants stopped providing the TPA with the account data for the SCM FUND portion of the Pension Plan.
15. That the TPA used the data from the last quarter reported by Browere which did not reflect the losses in the SCM Fund. The Plan Participants, therefore, received an overstated account statement and Browere received a fee based on an incorrect and inflated Pension Plan fund balance.
16. That Browere on numerous occasions told plan participants that the SCM Fund was doing well when in reality it had lost over 63% of its value.
17. That in July 2009 it came to light that accounts in the Pension Plan were substantially overstated and Browere was confronted by several of the Pension Plan Participants. He responded by saying that he made mistakes and would make it up.
18. That at no time did Browere advise the Pension Plan participants that his trades would be highly risky and not in keeping with conservative pension plan investing.
19. That Section 130.853 of the of the Rules and Regulations under the Illinois Securities Law of 1953 [815 ILCS 5] (the "Act") provides that "Effecting or causing to be effected by or for any client's account, any transactions of purchase or sale which are excessive in size or frequency or unsuitable in view of the financial resources and character of the account, shall constitute an act, practice, or course of business on the part of the registered investment adviser or its representative effecting such transactions or causing the transactions to be effected that is fraudulent, deceptive or manipulative."
20. Section 12.F of the Act provides, *inter alia*, that it shall be a violation of the Act for any person to engage in any transaction, practice or course of business in conjunction with the sale or purchase of securities which works or tends to work a fraud or deceit upon the purchaser or seller thereof.
21. Section 12.G of the Act provides, *inter alia*, that it shall be a violation of the Act for any person to obtain money or property through the sale of securities by means of any untrue statement of a material fact or any omission to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading

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22. That by virtue of the foregoing, the Respondent has violated Section 130.853 of the Rules and Regulations under the Act and Sections 12.F and 12. G under the Act.

You are further notified that you are required pursuant to Section 1104 of the Rules to file an answer to the allegations outlined above, a Special Appearance pursuant to Section 1107 of the Rules, or other responsive pleading within thirty (30) days of receipt of this notice. Your failure to do this within the prescribed time shall be deemed an admission of the allegations contained in the Notice of Hearing and waives your right to a hearing.

Furthermore, you may be represented by legal counsel; may present evidence; may cross-examine witnesses and otherwise participate. A failure to appear shall constitute default by you.

A copy of the Rules promulgated under the Act and pertaining to Hearings held by the Office of the Secretary of State, Securities Department is included with this Notice.

Delivery of notice to the designated representative of any Respondent constitutes service upon such Respondent.

Dated: This 31st day August 2012



JESSE WHITE
Secretary of State
State of Illinois

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