

STATE OF ILLINOIS
SECRETARY OF STATE
SECURITIES DEPARTMENT

IN THE MATTER OF: STEPHEN C. BROWERE)
AND STEPHENS CAPITAL MANAGEMENT, INC.)
_____)

FILE NO. 1000024

ORDER OF REVOCATION AND PROHIBITION

TO RESPONDENT:

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

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

WHEREAS, the above-captioned matter came on to be heard on September 29, 2015 pursuant to the Amended Notice of Hearing dated October 15, 2008 filed by Petitioner Secretary of State, and the record of the matter under the Illinois Securities Law of 1953 [815 ILCS 5] (the "Act") has been reviewed by the Secretary of State or his duly authorized representative.

WHEREAS, the rulings of the Hearing Officer on the admission of evidence and all motions are deemed to be proper and are hereby concurred with by the Secretary of State.

WHEREAS, the proposed Findings of Fact, Conclusions of Law and Recommendations of the Hearing Officer, James L. Kopecky, Esq., in the above-captioned matter have been read and examined.

WHEREAS, the proposed Findings of Fact of the Hearing Officer are correct and are hereby adopted as the Findings of Fact of the Secretary of State:

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1. The Department served Respondents with a Notice of Hearing on or about August 31, 2012.
2. Respondents answered the Department's allegations on September 30, 2012.
3. Michael Morehead, attorney for Respondents had appeared on behalf of Respondents Steven C. Browere and Stephens Capital Management, Inc. on October 23, 2012.
4. Respondents did not appear at the Hearing.
5. At all relevant times, Respondent Browere was registered with the Secretary of State as an investment advisor representative in the State of Illinois pursuant to Section 8.A of the Act.
6. At all relevant times, Respondent Stephens Capital Management, Inc. was registered with the Secretary of State as an investment advisor in the State of Illinois pursuant to Section 8.A of the Act.
7. At all relevant times, Respondent Browere was the sole owner and president of Respondent SCM, which is an Illinois corporation.
8. Investor A is the trustee of a 401K Pension Plan with approximately 30 participants.
9. On October 15, 2006, Respondent Browere on behalf of SCM entered into a written agreement ("Agreement") with Investor A's Pension Plan whereby SCM would be the investment advisor for the Pension Plan.
10. 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.
11. 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.
12. Respondent Browere's duties as the Investment Advisor Representative were to recommend for the Pension Plan a number of mutual funds for the participants to allocate his or her investment.

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13. Respondent Browere also included as an option for the Pension Plan participants a trading fund ("SCM FUND") managed by Respondent Browere and traded through Ameritrade.
14. The Pension Plan participated in July 2008 and transferred approximately \$334,000 into the SCM FUND and an additional \$115,845 in October 2008.
15. Respondent 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.
16. Between October 1, 2008 and July 31, 2009, Respondent Browere invested in and traded highly risky securities resulting in substantial losses in excess of \$263,000 or 63 % of the account.
17. Respondent 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.
18. 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.
19. Respondent Browere told plan participants on numerous occasions that the SCM Fund was doing well when in reality it had lost over 63% of its value.
20. In July 2009, it came to light that accounts in the Pension Plan were substantially overstated and several Pension Plan participants confronted Respondent Browere. He responded by saying that he made mistakes and would make it up.
21. 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.

WHEREAS, the proposed Conclusions of Law made by the Hearing Officer are correct and are hereby adopted as the Conclusions of Law of the Secretary of State:

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Based on the evidence presented and an application of the law to those facts, the Hearing Officer concludes:

1. The Department properly served the Notice of Hearing on Respondents.
2. The Notice of Hearing included the information required under Section 1102 of the Code.
3. The Secretary of State has jurisdiction over the subject matter pursuant to the Act. Because the Respondents failed to appear at the time and place set for hearing, in accordance with Section 1109, Respondents:
 - a. waived their right to present evidence, argue, object or cross-examine witnesses; or
 - b. otherwise participate at the hearing.
4. That Section 12.F of the Act provides, *inter alia*, that it is a violation of the Act for any person to engage in any transaction, practice or course of business in connection with the sale or purchase of securities which works or tends to work a fraud or deceit upon the purchase or seller thereof.
5. That Section 12.G of the Act provides, *inter alia*, that it is 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 the light of the circumstances under which they were made, not misleading.
6. That Section 130.853 of the Rules and Regulations 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.
7. That by virtue of the forgoing Findings of Fact and Conclusions of Law, the Respondents violated Section 130.853 of the Rules and Regulations under the Act and Sections 12.F and 12.G under the Act.

The Hearing Officer recommends that:

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1. An Order of Default be entered against Respondents Stephen C. Browere and Stephens Capital Management, Inc.
2. Respondent Stephen Browere's registration as an Investment Adviser Representative in the State of Illinois be revoked.
3. Respondent Stephens Capital Management, Inc.'s registration as an Investment Adviser in the State of Illinois be revoked.
4. Respondents be prohibited from the offering or selling securities in the State of Illinois.

WHEREAS, **Secretary of State** adopts in its entirety the Recommendation made by the Hearing Officer.

NOW THEREFORE, IT SHALL BE AND IS HEREBY ORDERED:

1. That an order of default is hereby entered against Respondents Stephen C. Browere and Stephens Capital Management, Inc.;
2. That Respondent Stephen Browere's registration as an Investment Adviser Representative in the State of Illinois be revoked.
3. That Respondent Stephens Capital Management, Inc.'s registration as an Investment Adviser in the State of Illinois is revoked.
4. That Respondents are hereby prohibited from the offering or selling securities in the State of Illinois.

ENTERED This 9th day of February 2016



JESSE WHITE
Secretary of State
State of Illinois

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Date of Mailing: 8th day of February 2010

NOTICE: Failure to comply with the terms of this Order shall be a violation of Section 12.D of the Illinois Securities Law of 1953, as amended, 815 ILCS 5/1 et seq. (the "Act"). Any person or entity who fails to comply with the terms of this Order of the Secretary of State, having knowledge of the existence of this Order, shall be guilty of a Class 4 felony.

This is a Final Order subject to judicial review pursuant to the Administrative Review Law, 735 ILCS 5/3-101 et seq. and the Rules and Regulations of the Act (14 Ill. Admin. Code, Ch. I, Sec. 130.1123. Any action for judicial review must be commenced within thirty-five (35) days from the date a copy of this Order is served upon the party seeking review. Mailing of this Order to the Respondent or representative of record constitutes service of the Order.

Attorney for the Secretary of State:
Gregory J. Solberg
Office of the Secretary of State
Illinois Securities Department
69 West Washington Street, Suite 1220
Chicago, Illinois 60602
Telephone: (312) 793-9643