

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

IN THE MATTER OF: DOUGLAS A. BRIAN

)
) Case No. 0200064
)

NOTICE OF HEARING

TO RESPONDENT: Douglas A. Brian
1001 South Main Street
Yorkville, IL 60560

Douglas A. Brian
C/o Brigid A. Duffield, Esq.
1749 S. Naperville Road
Suite 201
Wheaton, IL 60187

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 (the "Rules"), a public hearing will be held at 17 N. State Street, Suite 1266, Chicago, Illinois 60602, on the 14th of July, 2004, at the hour of 10:00 a.m., or as soon thereafter as counsel may be heard, before an duly designated Hearing Officer of the Secretary of State.

This hearing will be held to determine whether an Order should be entered pursuant to Section 11.E of the Act prohibiting Respondent from selling or offering for sale securities in the State of Illinois and/or granting such other relief as may be authorized under the Act including but not limited to imposition of a monetary fine in the maximum amount pursuant to Section 11.E(4) of the Act, payable within ten (10) business days of the entry of the Order.

The grounds for such proposed action are as follows:

COUNT I

Offer and Sale of Unregistered Securities by Unregistered Person

1. Douglas A. Brian ("Respondent"), is an individual with a last known address of 1001 South Main Street, Yorkville, Illinois 60560.

2. The Stonehedge Group, Inc. ("Stonehedge"), a New York corporation, maintained a place of business at 20 Exchange Place, 35th Floor, New York, New York 10005.
3. In or about 1998, Respondent offered to more than one Illinois Resident ("Investor(s)") an investment opportunity in Stonehedge. Respondent gave the Investor(s) an informational packet ("Informational Packet") soliciting the investment in Stonehedge.
4. The Informational Packet contains an offering memorandum ("Offering"), a subscription agreement ("Agreement") and a summary of the company;
 - A. The Offering states that Stonehedge is "offering \$2,000,000 of preferred stock (the "Preferred Stock") of \$1,000 Each with a minimum purchase of \$5,000."
 - B. The Offering states that "the Preferred Stock will pay a 10% per annum non-cumulative calendar quarterly dividend to the investor."
 - C. The Agreement states that Stonehedge will "use its funds to provide bridge loans or mezzanine financing to companies on the verge of making a public stock offering, or other equity interests, notes of various types, and other business opportunities that may present themselves, or joint ventures with already existing businesses."
5. From about August, 1999 to November 1999, Investor(s) gave Respondent checks made payable to Stonehedge for investment in Stonehedge.
6. For Respondent's sales of the Stonehedge investment, Respondent was paid aggregate commissions in the amount of \$35,500.
7. The activities described above constitute the offer and sale of stock or investment contracts and therefore securities as those terms are defined in Sections 2.1, 2.5 and 2.5a of the Act.
8. Respondent was not and is not registered as a salesperson with the Illinois Securities Department (the "Department").
9. Section 12.A of the Act provides, inter alia, that it shall be a violation of the Act for any person to offer or sell any security except in accordance with the provisions of the Act.

10. Section 12.C of the Act provides, inter alia, that it shall be a violation of the Act for any person to act as a dealer, salesperson or investment adviser, or investment adviser representative, unless registered as such, where such registration is required, under the provisions of the Act.
11. By virtue of the foregoing, Respondent has violated Sections 12.A and 12.C of the Act.
12. Section 5 of the Act provides, inter alia, that all securities except those exempt under Section 3 of the Act, or offered or sold in transactions exempt under Section 4 of the Act, shall be registered with the Secretary of State by filing the proper application prior to their offer or sale in the State of Illinois.
13. Respondent and Stonehedge failed to file with the Secretary of State an application for registration of the security described above as required by the Act and that as a result the securities were not registered pursuant to Section 5 of the Act prior to their offer and sale in the State of Illinois.
14. Section 12.D of the Act provides, inter alia, that it shall be a violation of the Act for any person to fail to file with the Secretary of State any required application, report or document required to be filed under the provisions of the Act or any rule or regulation made by the Secretary of State pursuant to the Act.
15. By virtue of the foregoing, Respondent has violated Section 12.D of the Act.

COUNT II

Fraud and Deceit

Material Misstatement or Omission

- 1-7. Paragraphs 1-7 of Count I are realleged and incorporated by reference as paragraphs 1-7 of this Count II as fully set forth herein.
8. Respondent contacted several of the Investor(s) and recommended the Stonehedge investment program, telling the Investors it had a 10% return without drawing their attention to the risk factors of Stonehedge's business mix and investing in Stonehedge. Instead, he told them he had "checked out" the Stonehedge Group and that this was a "good investment" for them. However, Respondent never did any due diligence or further research into either the investment

or Stonehedge, and he had no reasonable basis for recommending it.

9. Respondent also encouraged the Investor(s) by telling them he had personally invested money into Stonehedge and would like to invest more in the future, when in fact, Respondent had never invested in Stonehedge.
10. Notwithstanding Respondent's assurances, the Investor(s) have never received the stated 10% return, or any return on their investment.
11. Section 12.F of the Act provides, inter alia, that it is a violation of the Act 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 purchaser or seller thereof.
12. 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.
13. By virtue of the foregoing, Respondent has violated Section 12.F and 12.G of 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 the 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 so 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 13th day of May, 2004.



JESSE WHITE
Secretary of State
State of Illinois

Attorney for the Secretary of State:

Lauren E. McAfee
Illinois Securities Department
17 N. State Street
Suite 1266
Chicago, Illinois 60602
Telephone: (312) 793-3384