

STATE OF ILLINOIS  
SECRETARY OF STATE  
SECURITIES DEPARTMENT

IN THE MATTER OF: PREVENTION LABORATORIES, LLC, )  
ITS OFFICERS, DIRECTORS, )  
EMPLOYEES, AFFILIATES, SUCCESSORS, ) File No. 0700534  
AGENTS AND ASSIGNS, )  
AND JERRY DOUGLAS )  
)

NOTICE OF HEARING

TO THE RESPONDENTS: Prevention Laboratories, LLC  
Jerry A. Douglas  
5110 Hwy. 34 N  
P.O. Box 8  
Raleigh, Illinois 62977

Prevention Laboratories, LLC  
Jerry A. Douglas  
C/O Alfred Sanders, Esq.  
4501 W. DeYoung St., Ste B103  
Marion, Illinois 62959

You are hereby notified that pursuant to Section 11.F of the Illinois Securities Law of 1953, [815 ILCS 5/1 et seq.] (the "Act") and 14 Ill. Adm. Code 130, Subpart K, a public hearing will be held at 300 West Jefferson Street, Suite 300A, Springfield, Illinois 62702, on the 15<sup>th</sup> day of October, 2008 at the hour of 10:00 a.m., or as soon thereafter as counsel may be heard, before Jon K. Ellis, or such other duly designated Hearing Officer of the Secretary of State.

Said hearing will be held to determine whether an Order of Prohibition should be entered against Prevention Laboratories, LLC, its Officers, Directors, Employees, Agents, Affiliates, Successors and Assigns, including Jerry A. Douglas (the "Respondents") in the State of Illinois and 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 of the Act, payable within ten (10) days of the entry of the Order.

The grounds for such proposed action are as follows:

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1. That Respondent, Prevention Laboratories, LLC (hereinafter, Prevention Laboratories), is a purported business entity, with a last known address of 5110 Hwy. 34 N, P.O. Box 8, Raleigh, Illinois 62977;
2. That at all times relevant, the Respondent, Jerry A. Douglas, was president of Prevention Laboratories;
3. That on or about May 11, 2006, Respondents Prevention Laboratories, its Officers, Directors, Employees, Agents, Affiliates, Successors and Assigns, including Jerry A. Douglas, offered and sold to BB, an Illinois resident, 8,000 "units of membership" in Prevention Laboratories for a total investment of \$10,000;
4. That on or about the aforesaid date, Respondents Prevention Laboratories, its Officers, Directors, Employees, Agents, Affiliates, Successors and Assigns, including Jerry A. Douglas, entered into an "Agreement and Understanding for the Buy-out of Resigning Member of Prevention Laboratories LLC" (hereinafter, "Agreement") with BB in which Prevention Laboratories agreed to repurchase all units or shares that BB purchased in Prevention Laboratories for the initial net dollar investment plus 10-15% premium after BB held said units or shares in his name for a period of twelve months from the date the agreement;
5. That on or about the aforesaid date, Respondents represented to BB that everything BB saw at the Prevention Laboratories plant was "paid for";
6. That on or about May 13, 2006, Respondents represented to BB that Prevention Laboratories had no debt;
7. That on or about July 25, 2007, BB provided Respondents with a written request to exercise the option to resign as a member of Prevention Laboratories and requested the return of his original investment plus 15% premium as per the terms of the Agreement;
8. That at all times relevant, the Respondents owed the United States Federal Government taxes in the amount of \$65,039.12 for tax periods dating from 1999 to 2003;
9. That as of this date, BB has not received the return of his original investment, the aforementioned 15% premium, nor any

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other return for his investment from Respondents, despite a timely written request by BB for return of said funds on or about July 25, 2007, which Respondents received on July 27, 2007;

10. That at all times relevant, Respondent Jerry A. Douglas was subject to an Order of Prohibition, File # 9300263, issued by the Secretary of State pursuant to Section 11 of the Act, prohibiting him from offering or selling securities in the State of Illinois except in compliance with the provision of the Act;
11. That each of the above referenced units of membership is a security as that term is defined pursuant to Section 2.1. of the Illinois Securities Law of 1953 [815 ILCS 5/1 et seq.] (the "Act");
12. That Section 5 of the Act provides, inter alia, that all securities except those exempt under Section 3 of the Act or those offered and sold in transactions exempt under Section 4 of the Act shall be registered with the Secretary of State prior to their offer or sale in the State of Illinois;
13. That 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 securities except in accordance with the provisions of the Act;
14. That Section 12.D of the Act provides, inter alia, that it shall be a violation of the provisions of the Act to fail to file with the Secretary of State any application, report or document required to be filed under the provisions of this Act or any rule or regulation made by the Secretary of State pursuant to this Act or to fail to comply with the terms of any order of the Secretary of State issued pursuant to Section 11 hereof;
15. That 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 the light of the circumstances under which they were made, not misleading;

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16. That at all times relevant hereto, Respondents Prevention Laboratories, LLC, its Officers, Directors, Employees, Agents, Affiliates, Successors and Assigns, including Jerry A. Douglas, failed to file an application for registration of the above-referenced securities with the Secretary of State prior to their offer or sale in the State of Illinois;
17. That at all times relevant hereto, Respondents Prevention Laboratories, LLC, its Officers, Directors, Employees, Agents, Affiliates, Successors and Assigns, including Jerry A. Douglas, obtained money or property from EMG, an Illinois resident, by means of an untrue statement of material fact or an omission to state a material fact by representing to BB that he would receive the return of his original investment plus a 10-15% premium after a year, when in fact no such fund was ever returned to BB after said request was made to Respondents; furthermore, Respondents represented to BB that everything BB saw at the Prevention Laboratories plant was "paid for" and that Prevention Laboratories had no debt, when in fact Prevention Laboratories owed taxes to the United States federal government;
18. That at all times relevant, the Respondents sold securities in a manner which was not in compliance with the Act and were therefore in violation of the aforesaid Order of Prohibition;
19. That by virtue of the foregoing, Respondents Prevention Laboratories, LLC, its Officers, Directors, Employees, Agents, Affiliates, Successors and Assigns, including Jerry A. Douglas, have violated Sections 12.A, 12.D, and 12.G of the Act;
20. That Section 11.E(2) of the Act provides, inter alia, that if the Secretary of State shall find that any person has violated subsection D and/or G of Section 12 of the Act, the Secretary of State may by written order prohibit the person from offering or selling any securities in this State;
21. That Section 11.E(3) of the Act provides, inter alia, that if the Secretary of State shall find that any person is engaging or has engaged in the business of selling or offering for sale securities as a dealer or salesperson without prior thereto and at the time thereof having complied with the registration or notice filing requirements of this Act, the Secretary of State may by written order

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prohibit the person from offering or selling any securities in this State;


22. That Section 11.E(4) of the Act provides, inter alia, that if the Secretary of State, after finding that any provision of the Act has been violated, may impose a fine as provided by rule, regulation or order not to exceed \$10,000.00 for each violation of the Act, as well as the costs of investigation and reasonable expenses;
23. That by virtue of the foregoing, Respondents Prevention Laboratories, its Officers, Directors, Employees, Agents, Affiliates, Successors and Assigns, including Jerry A. Douglas, are subject to a fine of up to \$10,000.00 per violation, costs of investigation, reasonable expenses, an order of censure, and an order which permanently prohibits the Respondents from offering or selling securities in the State of Illinois.

You are further notified that you are required pursuant to Section 130.1104 of the Rules and Regulations (14 Ill. Adm. Code 130) (the "Rules"), to file an answer to the allegations outlined above or a Special Appearance pursuant to Section 130.1107 of the Rules, or other responsive pleading within thirty days of the receipt of this notice. Your failure to do so 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.

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

Dated this 19<sup>th</sup> day of August, 2008.

  
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Jesse White  
Secretary of State  
State of Illinois

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Attorney for the Secretary of State:

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Illinois Securities Department  
Jefferson Terrace, Suite 300A  
300 West Jefferson Street  
Springfield, Illinois 62702

Hearing Officer:

Jon K. Ellis  
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