

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

IN THE MATTER OF: LAWRENCE G. MACY

)
) **FILE NO. 1100012**
)

NOTICE OF HEARING

TO THE RESPONDENT:

Lawrence G. Macy
718 Lathrop Avenue
River Forest, Illinois 60305
CRD #1613186

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 4th day of December, 2013 at the hour of 10:00 a.m. or as soon as possible thereafter, before James 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 revoking Lawrence G. Macy's (at times hereinafter "Macy") registration as a salesperson in the State of Illinois; and whether an Order shall be entered prohibiting Macy from offering or selling securities in the State of Illinois, and 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(4) of the Act, payable within ten (10) business days of the entry of the Order.

OVERVIEW

Gilberto Romero's (at times hereinafter "GR") maintained an account with Merrill, Lynch, Pierce, Fenner, & Smith Incorporated (hereinafter "Merrill Lynch") from 1996 until October 2008. From the period of January 2007 and October 2008 ("Relevant Period") Respondent Macy traded GR's account with Merrill Lynch in a manner that was contrary to GR's direction and risk tolerance. According to the Gilberto Romero's Financial Foundation Report, prepared in 1997 by the Merrill Lynch Planning Group, GR had a combined Net Worth of \$505,500. GR's investment base was \$480,500, which represented 77% of his total assets and his portfolio and retirement plan assets were allocated as 15% cash, 35% equity, and 50% fixed income. He characterized his risk tolerance as Medium Risk which is Conservative Growth Income (investment grade common and preferred stocks, selected utility common stocks, selected growth and income mutual funds Investment grade municipal bonds and corporate bonds, single premium life insurance, variable annuities, U.S. Government agencies)

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The grounds for such proposed action are as follows

1. That during the Relevant Period, Respondent Macy was registered as an Illinois securities salesperson through Merrill Lynch pursuant to Section 8 of the Illinois Securities Law 815 ILCS 5/1 *et seq.* (the "Act").
2. That throughout the Relevant period Respondent Macy represented complainant GR as a Merrill Lynch salesperson.
3. That throughout the Relevant Period GR's account with Merrill Lynch was non-discretionary and Macy never had the authorization from GR to make account decisions without the approval of GR
4. That throughout the Relevant Period Macy had a duty to comply with all reasonable, legal account directives given to them by GR
5. That beginning prior to the Relevant Period and continuing throughout the Relevant Period, GR repeatedly and frequently directed Macy to reduce GR's equity exposure (which was over 60% throughout the Relevant Period) which were reasonable demands made by GR in his effort to lower his risk of loss in his accounts.
6. That prior to and during the Relevant Period, after receiving the directions from GR to reduce his account equity exposure, Macy ignored these directions and failed to take steps to reduce GR's equity exposure, and consequently GR's equity exposure remained much higher than GR could tolerate.
7. That prior to and during the Relevant Period, after receiving the directions from GR to reduce his account equity exposure, Macy continually sold account equities and purchased other equities, creating a turnover ratio in 2007 of 63%, and in 2008 of 56%.
8. That during the Relevant Period, and as a direct result of Macy's failure and refusal to comply with GR's directions, GR's accounts lost over \$117,000.
9. That at all times relevant hereto, Respondent Macy obtained money or property through the offer or sale of securities by means of untrue statements of material facts or omissions to state material facts in that Respondent failed to represent to GR that Respondent intended to, and in fact thereafter, refused to comply with GR's legal and reasonable directions.
10. That at all times relevant hereto, Respondent Macy engaged in an unethical practice in the offer or sale of securities in that Respondent, failed to represent to GR that Respondent intended to, and in fact thereafter, did refuse to comply with GR's legal and reasonable directions.

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11. That at all times relevant, the Respondent Macy effected or caused to be effected transactions of purchase or sale which were unsuitable for GR in that Respondent maintained GR's accounts in a manner that was beyond GR's risk tolerance level, and not consistent with GR's directions
12. That Respondent Macy's actions, and lack of action, set forth above in paragraphs 6-11 were in violation of the Act, tended to work a fraud on GR, and constituted omissions of material facts that should have been presented to GR.
13. That Respondent Macy's actions, and lack of action, set forth above in paragraphs 6-11 represent that Respondent Macy has engaged in unethical practices in the offer and/or sale of securities.
14. That Respondent Macy's actions, and lack of action, set forth above in paragraphs 6-11 represent that Macy effected transactions in GR's account which were unsuitable, and that his failure to comply with the Regulations constituted a fraudulent business practice.
15. 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.
16. That 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 connection with the sale or purchase of securities which works or tends to work a fraud or deceit upon the purchaser or seller thereof.
17. 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.
18. That Section 8.E 1(b) of the Act states, *inter alia*, that subject to the provisions of subsection F of Section 11 of the Act, the registration of a salesperson or investment adviser representative may be suspended or revoked if the Secretary of State finds that the salesperson or investor adviser representative has engaged in any unethical practice in the offer or sale of securities;
19. That Section 8 E.1(g) of the Act states, *inter alia*, that subject to the provisions of subsection F of Section 11 of the Act, the registration of a salesperson or investment adviser representative may be suspended or revoked if the Secretary of State finds that the salesperson or investor adviser representative has violated any of the provisions of this Act.

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- 20 That 14 Ill Admin Code Section 130.850 of the Regulations under Illinois Securities Law of 1953 [14 Ill. Adm. Code 130.100, *et seq*] (the "Regulations") provides, *inter alia*, that no dealer or salesperson shall effect transactions for a customer's account which are unsuitable and that failure to comply with said section of the Regulations shall constitute a fraudulent business practice.
21. That by virtue of the foregoing, Respondent Macy has violated Sections 12.A, 12.F, and 12.G of the Act.
22. That by virtue of the foregoing, Respondent Macy has violated 14 Ill. Admin. Code, Section 130.850 of the Regulations under Illinois Securities Law of 1953.
23. That Section 11.E(2) of the Act provides, *inter alia*, that if the Secretary of State shall find that any person has violated subsections F, 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.
24. 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.
25. By virtue of the foregoing, Respondent Lawrence G. Macy is subject to a fine of up to \$10,000.00 per violation, costs of investigation, reasonable expenses, an order of censure, an order which permanently prohibits the Respondent from offering or selling securities in the State of Illinois as well as an order which suspends or revokes his salesperson registration 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.


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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 15th day of October, 2013


Jesse White
Secretary of State of Illinois

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