

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

IN THE MATTER OF:

DANIEL ZAKON

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FILE NO. 10-00023

NOTICE OF HEARING

TO RESPONDENT:

**DANIEL ZAKON
2429 REBECCA LANE
GLENVIEW, IL 60025**

You are hereby notified that pursuant to Section 11.E 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 W. Washington Street, Suite 1220, Chicago, Illinois 60602, on the day of May 16, 2014, at the hour of 10:30 a.m., or as soon as possible thereafter, before, Canella Henrichs or such duly designated Hearing Officer of the Secretary of State.

Said hearing will be held to determine whether an Order shall be entered pursuant to Section 11.E of the Act that would grant the following relief:

1. Prohibition of Respondent Zakon from selling or offering for sale securities in the State of Illinois;
2. Prohibition of Respondent Zakon from engaging in the business of an investment adviser in the State of Illinois, including acting as an investment adviser or federal covered investment adviser, or investment adviser representative.
3. 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, entry of orders of public censure, and charging costs of the investigation and all reasonable expenses, including attorney's fees and witness fees, in accordance with the Act.

The grounds for such proposed action are as follows:

NATURE OF THE CASE

Respondent Zakon was a registered representative who recklessly disregarded a ninety year old elderly client's (Investor A) financial situations, investment objectives, and interests for his own financial gain. Respondent Zakon recommended speculative and aggressive investments for Investor A and wildly executed trades within his client's accounts almost always without client authorization. During the course of this conduct, Investor A suffered severe investment losses, losing almost half of her account value by July 2009. As of October 2007, Investor A's account was valued at \$1,620,774.00 and by the time the account was closed out in July 2009 the account had fallen to \$840,316.57. Respondent Zakon, almost always without permission, bought and sold the same stock over and over again, sometimes on the same day with no logical purpose other than generating commissions and fees. Instead of minimizing the risk, Respondent Zakon acted in a manner that disregarded the risk and maximized trading costs and thus Zakon's compensation.

FACTS COMMON TO ALL COUNTS

1. Respondent Zakon is a natural person with a last known address of 2429 Rebecca Lane, Glenview, Illinois 60025
2. Respondent Zakon was licensed by the Illinois Department of Securities, Secretary of State ("IDS") as a registered representative intermittently from 1999 until August of 2011.
3. Respondent Zakon was employed by Rothschild Investment Corporation ("Rothschild") as a registered representative from 1962 until August of 2011.
4. Rothschild is a full service brokerage firm headquartered in Chicago, Illinois with a last known address of 311 S. Wacker Drive, Suite 6500, Chicago, Illinois 60606-6618.
5. In or around April 1998, Investor A, an Illinois resident, opened a brokerage account with Rothschild.
6. From 1998 to 2009, Respondent Zakon was Investor A's advisor at Rothschild.
7. In or around 2009, Investor A was a ninety year old elderly woman who was retired and suffering from health problems.

COUNT I

FRAUD IN THE OFFER AND SALE OF SECURITIES

8. As of October 2007, Investor A's account was valued at \$1,620,774.00. By the time Investor A closed the account and moved it away from Rothschild in July 2009, the account had fallen to \$840,316.57
9. Investor A is not, nor ever was, interested in highly speculative investments; she did not have an aggressive risk tolerance.
10. Throughout the course of the last several years, Respondent Zakon wildly executed trades within his client's accounts almost always without client authorization.
11. Given Investor A's age and health, buying and selling the same stock over and over again, sometimes on the same day, has no logical purpose other than generating commissions and fees.
12. Respondent Zakon rarely sought the approval of Investor A prior to trading; in contrast, Zakon excessively traded in Investor A's account without her authorization. Respondent Zakon marked most of the trades as "unsolicited" when in fact virtually none of these trades were directed by Investor A.
13. On most occasions, Respondent Zakon, without Investors' knowledge, traded speculative stock positions. Respondent Zakon's activities described above involve the offer and sale of stocks, therefore a Security as those terms are defined in Sections 2.1, 2.5 and 2.5a of the Illinois Securities Law of 1953 [815 ILCS 5] (the "Act").
14. Respondent Zakon's recommending, offering and selling stocks constitutes the activities of a salesperson as defined by Section 2.9 of the Illinois Securities Law of 1953. (815 ILCS 5/1 et seq.) (the "Act").
15. Respondent Zakon implemented a highly aggressive, extremely risky and speculative trading activity in Investor A's account for the purpose of generating commissions. Respondent Zakon recklessly disregarded Investor A's financial situations, investment objectives, and interests for his own financial gain.
16. Respondent Zakon executed unauthorized and excessive trades in Investor A's account for the purpose of obtaining commissions.
17. 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.

18. By virtue of the foregoing, Respondent violated Section 12.F of the Act.
19. 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.
20. By virtue of the foregoing, Respondent violated Section 12.G of the Act.
21. Section 12.I of the Act provides, *inter alia*, that it shall be a violation of the Act for any person, "to employ any device, scheme or artifice to defraud in connection with the sale or purchase of any security, directly or indirectly".
22. By virtue of the foregoing, Respondent violated Section 12.I of the Act.
23. Section 12.J(1) of the Act provides, *inter alia*, that it shall be a violation of the Act for any person when acting as an investment advisor, investment advisor representative, or federal covered investment advisor, by any means or instrumentality, directly or indirectly to employ any device, scheme or artifice to defraud any client or prospective client.
24. Section 12.J (2) of the Act provides, *inter alia*, that it shall be a violation of the Act for any person when acting as an investment advisor, investment advisor representative, or federal covered investment advisor, by any means or instrumentality, directly or indirectly to engage in any transaction, practice, or course of business which operates as a fraud or deceit upon any client or prospective client.
25. By virtue of the foregoing, Respondent violated Section 12.J (1) and 12.J (2) of the Act.

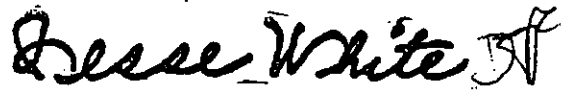
You are further notified that you are required pursuant to Section 130.1104 of the Rules and Regulations (14 111. Adm. Code 130) ("the rules"), to file an answer to the allegations outlined above within thirty (30) days of the receipt of this notice. The answer and all other pleadings and motions must be filed with the Illinois Securities Department by addressing them to:

Maria Pavone, Enforcement Attorney
Illinois Department of Securities
69 West Washington, Suite 1220
Chicago, Illinois 60602

A failure to file an answer within the prescribed time shall be construed as 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. Unless the Respondent has upon due notice moved for and obtained a continuance.

The Rules promulgated under the Act and pertaining to Hearings held by the office of the Secretary of State, Securities Department may be viewed online at <http://www.cyberdriveillinois.com/departments/lawrules.html>. Delivery of Notice to the designated representative of any Respondent constitutes service upon such Respondent.

Dated: This May 21, 2014.

A handwritten signature in black ink that reads "Jesse White" followed by a stylized flourish.

JESSE WHITE

Secretary of State

State of Illinois

Attorney for the Secretary of State:

Maria A. Pavone, Enforcement Attorney

Illinois Securities Department

69 West Washington Street, Suite 1220

Telephone 312-793-3384

Hearing Officer:

Canella Henrichs