

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

IN THE MATTER OF)

LOCKE FINANCIAL SERVICES, INC.)

) FILE NO. C1700489
)
)

NOTICE OF HEARING

TO RESPONDENT:

Denzil Alan Locke, President
(CRD#: 1660024)
Locke Financial Services, INC.
662 N. First Bank Drive
Palatine, IL 60067

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 31th day of January, 2019 at the hour of 10:00 a.m. or as soon thereafter as possible before James Kopecky, Esq. or such other designated Hearing Officer as the Secretary of State may appoint.

Said hearing will be held to determine whether a permanent Order shall be entered prohibiting Respondent Alan Danzil Locke, from offering or selling securities in or from the State of Illinois and/or 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 Sec. 11.E(4) of the Act, payable within ten (10) days of the Order.

The grounds for such proposed action are as follows:

1. Respondent Locke Financial Services, Inc. is registered investment advisor with a last known address of 662 N. First Bank Drive, Palatine, IL 60067.
2. At all times relevant, the Respondent was an Illinois registered Investment Adviser and Investment Adviser Representative pursuant to Section 8 of the Illinois Securities Law of 1953, 815 ILCS 5/1 et seq. (the "Act").
3. That Denzil Alan Locke is an individual with a last known address of 1039 North Penny Lane, Palatine, Illinois 60067.

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4. At all times relevant Denzil Alan Locke was registered with the Secretary of State as a salesperson in the State of Illinois pursuant to Section 8 of the Illinois Securities Law of 1953, 815 ILCS 5/1 et seq. (the "Act").
5. Pursuant to the Illinois Securities Law of 1953 [815 ILCS 5/1 *et seq.*] (the "Act") and the Rules and Regulations promulgated under the Act, securities salespersons and Investment advisor representatives are required, to amended within ten (10) business days when the salesperson experiences a change that renders any information contained in the initial application for registration inaccurate.
6. On or about December 15, 2016, Ernest R. Azua, Enforcement Auditor II, conducted an audit for the Illinois Secretary of State Securities Department, pursuant to Section 8.1(3) of the Act.
7. The audit revealed several deficiencies and concerns, in violation of the Act.
8. By means of the Stipulation, the Respondent acknowledged, that the following allegations contained in the Notice of Hearing shall be adopted as the Secretary of State's Findings of Fact:
 - A. The MKLs were charged the standard 1.4% fee.
 - B. The Advisory Update date March 29, 2014 required a change in fees to 1% for Accounts, #913976250 Growth Model \$515,505.50 and #913215360 Balanced Growth Model \$299,440.09 for the MKLs.
 - C. According to the audit, as of February 15, 2017, the MKL accounts were overcharged over \$5075.00.
 - D. In a March 1, 2017 email to Auditor Azua, Mr. Locke acknowledged that Respondent had started the correction process from the normal fee [1.4%] to the 1% calculation.
 - E. In a letter dated March 6, 2017, Mr. Locke notified the MKLs that he had overcharged them for Respondent's services.
 - F. In the March 6, 2017 letter, Respondent acknowledged an overcharge of \$4621.51 in account #913976250 and \$2411.86 in account #913215360 and that Respondent will not charge fees until the difference is worked off.
 - G. As of July 17, 2017, Locke Financial Services, Inc. completed reimbursement of the MLKs for the entire amount of the overcharged fees and is now charging the correct amount.
 - H. The audit further revealed a need to revise/clarify the formula used in the Investment Advisor Agreement to calculate the advisory fee. For example, the

formula for calculation of the advisory fee by dividing the yearly fee by the number of days of in each month, instead of dividing the yearly fee calculation by 12.

9. Respondent failed to accurately charge the customers accounts, as required by the Act.
10. Respondent failed to promptly repay customers' accounts in full, as required by the Act.
11. Respondent failed to provide customers with proper and clear notice of advisory fees, as required by the law.
12. Respondent billed the client an incorrect fee amount of 1.4% instead of 1% resulting in an overcharge to the client from March 29, 2014 to on or about March 6, 2017.
13. Section 130.852 (a) of the Rules and Regulations (14 Ill. Admin Code 130) (the "Rules") provides, *inter alia*, that no registered investment adviser or its representatives shall charge or receive compensation in connection with the giving of investment advise unless the compensation is fair and reasonable and is determined on an equitable basis adequately disclosed to each client in writing.
14. Section 8.E.l(b,) of the Act provides, *inter alia*, that subject to the provisions of subsection F of Section 11 of the Act, the registration of an investment adviser or investment adviser representative may be suspended or revoked if the Secretary of State finds that the investment adviser or investment advisor representative has engaged in any unethical practice in the offer or sale of securities or in any fraudulent business practice.
15. Section 8.E.l(m) of the Act provides, *inter alia*, that subject to the provisions of subsection F of Section 11 of the Act, the registration of an investment adviser or investment adviser representative may be suspended or revoked if the Secretary of State finds that the investment adviser or investment advisor representative has conducted a continuing course of dealing of such nature as to demonstrate an inability to properly conduct the business of the dealer, limited Canadian dealer, salesperson, investment adviser or investment adviser representative.
16. Section 8.E.l(q) of the Act provides, *inter alia*, that subject to the provisions of subsection F of Section 11 of the Act, the registration of an investment adviser or investment adviser representative may be suspended or revoked if the Secretary of State finds that the investment adviser or investment adviser representative has failed to maintain the books and records required under this Act or regulations under this Act or under any requirements established by the Securities and Exchange Commission or self-regulatory organization.
17. That Section 11.E (3) of the Act provides, *inter alia*, that the Secretary of State shall find that any person is acting or has acted as a federal covered investment adviser, without prior thereto and at the time thereof having complied with the registration or notice filing

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requirements of this Act, the Secretary of State may by written order suspend the person from acting as a federal covered investment adviser in this State.

18. That by virtue of the foregoing, the Respondent has committed a violation of Sections 130.852(a) of the Rules and 8.E(1)(b), 8.E(1)(m), 8.E.1(q) and 11.E (3) of the Act.
19. That Section 11.E (4) of the Act provides that in addition to any other sanction or remedy contained in this subsection E, the Secretary of State, after finding that any provision of this Act has been violated, may impose a fine as provided by rule, regulation or order not to exceed \$10,000, for each violation of this Act, may issue an order of public censure against the violator, and may charge as costs of investigation all reasonable expenses, including attorney's fees and witness fees.

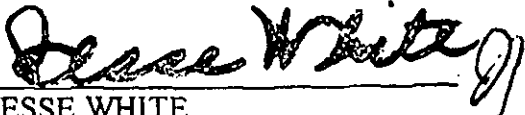
You are further notified that you are required pursuant to Section 130.1104 of the Rules and Regulations (14 Ill. Adm. Code 130), to file an answer to the allegations outlined above within thirty (30) days of the receipt of this notice. A failure to file an answer within the prescribed time shall be construed as an admission of the allegations contained in the Notice of Hearing.

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, unless any 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/securities/law/rules.html>.

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

Dated: This 4th day of January 2019.



JESSE WHITE
Secretary of State
State of Illinois

NOTICE: Failure to comply with the terms of the Order shall be a violation of Section 12.D of the Illinois Securities Law of 1953 [815 ILCS 5] (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.

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Attorney for the Secretary of State
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