

STATE OF ILLINOIS
SECRETARY OF STATE
SECURITIES DEPARTMENT

IN THE MATTER OF: LAKSHMI WEALTH MANAGEMENT LLC
AND HIMANSHU PATEL

FILE NO. C1400579

NOTICE OF HEARING

TO THE RESPONDENT: LAKSHMI WEALTH MANAGEMENT, LLC
(CRD# 152064 and 174249)
Attn: Himanshu Patel
1267 Hamilton Lane
Naperville, Illinois 60540

HIMANSHU PATEL (CRD# 5728877)
1267 Hamilton Lane
Naperville, Illinois 60540

You are hereby notified that pursuant to Section 11.F of the Illinois Securities Law of 1953 [815 ILCS 5/1] (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 3rd day of May 2016 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 prohibiting Lakshmi Wealth Management LLC, Lakshmi Wealth Management, LLC, and Himanshu Patel (the "Respondents") from acting as a federal covered investment Adviser in 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 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:

BACKGROUND FACTS

1. Respondent Lakshmi Wealth Management, LLC ("Lakshmi") was an Illinois based Federal Covered Investment Adviser (FCIA) from January 6, 2010 until March 26, 2010; registered with the Secretary of State as an Investment Advisor in the State of Illinois from March 26, 2010 through March 28, 2011; and Illinois

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based Federal Covered Investment Adviser (FCIA) from March 28, 2011 until July 13, 2012. Respondent Lakshmi currently has a registration application pending with the State of Illinois.

2. Respondent Lakshmi engages in the business of providing investment advisory services to the general public. Its last known address is 1267 Hamilton Lane, Naperville, Illinois 60540.
3. Respondent Himanshu Patel ("Respondent Patel" or collectively with Respondent Lakshmi, "Respondents") was registered with the State of Illinois as an investment adviser representative with Respondent Lakshmi from January 6, 2010 to July 13, 2012.
4. Respondent Patel is the Chief Executive Officer and Chief Compliance Officer of Respondent Lakshmi. His last known address is 1267 Hamilton Lane, Naperville, Illinois 60540.
5. During the period of July 13, 2012 through present, when no longer a FCIA, Respondents provided investment advisory services to residents of the State of Illinois when not in compliance with the filing requirements of Section 8 of the Act.
6. The activities described above, constitute the activities of an Investment Adviser and/or Investment Adviser Representative as defined in Sections 2.11 and 2.12b of the Act.

COUNT I

815 ILCS 5/12.A, 12.C and 12.D violations:
Respondents acted as unregistered investment adviser
and/or investment adviser representative

- 1-6. The Illinois Secretary of State re-alleges and incorporates paragraphs 1 through 6 above, as paragraphs 1 through 6 of this Count I.
7. That Section 8.A of the Act, states *inter alia*, that except as provided otherwise, every investment adviser and investment adviser representative shall be registered as such with the Secretary of State.
8. Section 12.D of the Illinois Securities Law of 1953, 815 ILCS 5/1 *et seq.*, states that it shall be a violation of the provisions of the Act for any person to "fail to file with the Secretary of State any application, report or document under the provisions of this Act or any rule or regulation made by the Secretary of State

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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?.

9. The Respondent Lakshmi failed to file with the Secretary of State applications for registration as required by the Act:
 - a) failed to file an application for registration as an Investment Adviser pursuant to Section 8.D, or to notice file pursuant to Section 8.C-5 of the Act.
10. That Section 130.839 of the Rules of the Act provides, inter alia, that:
 - a) Effective October 1, 2002, each new applicant filing as an investment adviser or federal covered investment adviser shall file with the NASD, utilizing the IARD, a complete Form U-4 for each investment adviser representative and pay the filing fee specified in Section 130.110 of this Part.
 - b) For purposes of the annual re-registration of investment adviser representatives, each investment adviser and federal covered investment adviser shall file with the NASD, utilizing the IARD, and pay the filing fee specified in Section 130.110 of this Part.
11. Respondent Lakshmi failed to file a complete U-4 for each Investment Adviser Representative and to pay the filing fee as specified in Section 130.110.
12. That between July 13, 2012 and the present, Respondents have collected approximately \$156,611.43 in management fees from clients of an unregistered Investment Adviser Representative or Investment Adviser.
13. Section 12.A of the Act states in pertinent part 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.
14. Section 12.C of the Act states in pertinent part that it shall be a violation of the Act to act as a dealer, salesperson, investment adviser, or investment adviser representative, unless registered as such, where such registration is required, under the provisions of this Act.
15. That by virtue of the foregoing, the Respondents have committed a violation of Section 12.A, 12.C and 12.D of the Act.
16. That Section 11.E(3) of the Act provides, inter alia, that if the Secretary of State shall find that any person is acting or has acted as an investment adviser or investment adviser representative, without prior thereto and at the time thereof

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having complied with the registration or notice filing requirements of this Act, the Secretary of State may by written order prohibit or suspend the person from acting as an investment adviser or investment adviser representative, in this State.

17. That by virtue of the foregoing, the Respondent is subject to the entry of an order prohibiting or suspending it from acting as an investment adviser or investment adviser representative in the State of Illinois.

COUNT II

**815 ILCS 5/12.G violations: Respondents obtained
Complainants' money by making
untrue statement of material fact
and omission to state a material fact**

- 1-6. The Illinois Secretary of State re-alleges and incorporates paragraphs 1 through 6 above, as paragraphs 1 through 6 of this Count II.
7. According to its website, Respondents 1) provides comprehensive financial advice and customized portfolio management; 2) creates portfolios tailored to clients; and 3) lists Respondent Patel as a registered investment advisor.
8. The Department has searched its Records and the Department has found no record of Registration for Respondent as an investment adviser in the State of Illinois, in accordance with the registration requirements of the Act.
9. Section 12.G of the Illinois Securities Law of 1953, 815 ILCS 5/1 *et seq.*, states that it shall be a violation of the provisions 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."
10. The facts alleged in paragraphs 1 through 9 above allege facts that show conduct by the Respondents that violate Section 12.G of the Act. In particular: Respondents omitted to state that the firm was not registered as an investment adviser in the State of Illinois as they are required to be, to engage in the activities above.

COUNT III

**815 ILCS 5/12.J violations: Respondent acting
as an investment adviser employed a
scheme to defraud**

- 1-6. The Illinois Secretary of State re-alleges and incorporates paragraphs 1 through 6 above, as paragraphs 1 through 6 of this Count III.
7. Respondent's website contains the following information about performance of client accounts which is misleading:
 - a) Respondents advertised on their website that the net cumulative return for Respondent Lakshmi Wealth Management and the S&P 500 between January 1995 and January 2010 was 316.70% and 120.30%, respectively.
 - b) Respondents advertised on their website that the net cumulative return for Respondent Lakshmi Wealth Management and the S&P 500 between January 2003 and January 2010 was 36.40% and -27.70%, respectively.
 - c) Respondents advertised on their website that the net cumulative return for Respondent Lakshmi Wealth Management and the S&P 500 between January 2005 and January 2010 was 21.50% and -9.80%, respectively.
 - d) Respondents advertised on their website that the net cumulative return for Respondent Lakshmi Wealth Management and the S&P 500 between January 2007 and January 2010 was 8.40% and -23.70%, respectively.
 - e) Respondents advertised on their website that the net cumulative return for Respondent Lakshmi Wealth Management and the S&P 500 between January 2009 and January 2010 was 31.80% and 33.40%, respectively.
 - f) Respondents advertised on their website that the long term performance of Respondent Lakshmi's balanced portfolio for the period ending January 30, 2010, an investment of \$100,000 in 1995 returned \$416,700 versus S&P 500's return of \$220,300.
 - g) Respondents advertised on their website past performance of "LWM's balance portfolio" for the period ending January 30, 2010, an

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investment of \$100,000 in 1995 returned \$416,700 versus S&P 500's return of \$220,300.

- h) Respondents advertised on their website past performance of "LWM's balance portfolio" for a period ending January 30, 2012, an investment of \$100,000 in 1997 returned \$140,000 versus S&P 500's return of \$94,600.
- 8. On its website, Respondents does not set forth or offer to furnish a list of all recommendations it made with the immediately preceding period of not less than one year as required.
- 9. On its website, Respondents does not furnish (i) the name of each security recommended; (ii) the date and nature of each recommendation (e.g., buy, sell or hold); (iii) the market price of the security at the time of the recommendation; (iv) the price at which the recommendation was to be acted on; and (v) the market price of each security as of the most recent practicable date.
- 10. On its website, Respondents does not furnish on its website a legend which states "It should not be assumed that the recommendations made in the future will be profitable or will equal the performance of the securities in this list."
- 11. Section 12.J of the act provides that when acting as an investment adviser, by any means or instrumentality, directly or indirectly:
 - (1) To employ any device, scheme or artifice to defraud any client or prospective client;
 - (2) To engage in any transaction, practice, or course of business which operates as a fraud or deceit upon any client or prospective client; or
 - (3) To engage in any act, practice, or course of business which if fraudulent, deceptive or manipulative. The Secretary of State shall for the purposes of this paragraph (3), by rules and regulations, define and prescribe means reasonably designed to prevent such acts, practices, and courses of business as are fraudulent, deceptive, or manipulative.
- 12. The facts alleged in paragraphs 1 through 10 above allege facts that show conduct by the Respondents that violate Section 12.J of the Act. In particular, Respondents' website uses past specific performance that is intrinsically misleading. Respondents compares results to an LWM's balanced portfolio to the S&P 500 without disclosing all material factors relevant to the comparison and respondents fail to disclose that the results portrayed relate only to a select

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group of its clients, the basis on which the selection was made, and the effect of this paratice on the results portrayed.

COUNT IV
DENIAL OF REGISTRATION
815 ILCS 5/8(E)(1)(b), (f) and (g)

- 1-12. The Illinois Securities Department re-alleges and incorporates paragraphs 1 through 12 of Count III as paragraphs 1 through 12 of this Count IV.
13. That Section 8.E of the Act provides, *inter alia*, that the registration of a salesperson, investment adviser, or investment adviser representative may be denied, suspended or revoked if the Secretary of State finds that the salesperson, investment adviser, or investment adviser representative:
 - a. Has engaged in any unethical practice in connection with any security, the offer or sale of securities or in any fraudulent business practice (815 ILCS 5/8(E)(1)(b));
 - b. Has violated any provisions of this Act (815 ILCS 5/8(E)(1)(g)).
14. Paragraphs 1 through 13, above, allege facts that support the revocation of Respondents Lakshmi and Patel registrations as an investment advisor and/or investment advisor representative.

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 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.

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A copy of the Rules, promulgated under the Act and pertaining to hearings held 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 2nd day of March 2016.

A handwritten signature in black ink that reads "Jesse White" with a stylized flourish at the end.

JESSE WHITE
Secretary of State
State of Illinois

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