

JOHN MORGAN
SECURITIES COMMISSIONER



BETH ANN BLACKWOOD
CHAIR

E. WALLY KINNEY
MEMBER

DAVID A. APPELBY
MEMBER

ALAN WALDROP
MEMBER

MIGUEL ROMANO, JR.
MEMBER

RONAK V. PATEL
DEPUTY SECURITIES COMMISSIONER

Texas State Securities Board

Mail: P.O. BOX 13167
AUSTIN, TEXAS 78711-3167

208 E. 10th Street, 5th Floor
Austin, Texas 78701-2407
www.ssb.texas.gov

Phone: (512) 305-8300
Facsimile: (512) 305-8310

IN THE MATTER OF
THE INVESTMENT
ADVISER REPRESENTATIVE
REGISTRATION OF
SARAH HELEN HANCOCK

§
§
§
§
§

Order No. IC16-REV-07

TO: Sarah Helen Hancock (CRD No. 1291705)
Hancock-Smith, LLC
3100 Monticello, Suite 130
Dallas, Texas 75205

DISCIPLINARY ORDER

Be it remembered that Sarah Helen Hancock ("Respondent") appeared before the Securities Commissioner of the State of Texas ("Securities Commissioner") and consented to the entry of this order ("Order") and the Findings of Fact and Conclusions of Law contained herein. This order is entered into solely for the purpose of resolving the investigation by the Texas State Securities Board, and is not intended to be used for any other purpose. For any person or entity not a party to the Order, this Order does not limit or create any rights or remedies against Respondent, limit or create liability of Respondent, or limit or create defenses of Respondent, to any claims.

FINDINGS OF FACT

1. Respondent has waived (a) Respondent's rights to notice and hearing in this matter; (b) Respondent's rights to appear and present evidence in this matter; (c) Respondent's rights to appeal this Order; and (d) all other procedural rights granted to the Respondent by The Securities Act, Tex. Rev. Civ. Stat. Ann. arts. 581-1 to 581-44 (West 2010 & Supp. 2015)("Texas Securities Act"), and the Administrative Procedure Act, Tex. Gov't Code Ann. §§ 2001.001 to 2001.902 (West 2008 & Supp. 2015)("Administrative Procedure Act").
2. In or about January 1999, Respondent registered with the Securities Commissioner as an investment adviser representative of Hancock-Smith, LLC ("HSL"). This registration is currently effective.

3. In connection with Respondent's investment advisory activities, Respondent's clients agreed to pay Respondent annual management fees based on the investment assets actively managed by Respondent. The rate for the annual management fees was listed in the clients' written agreements with HSL and Respondent. Specifically, the fee for all relevant clients was equal to 1% (annualized) and was to be billed on a quarterly basis.

Excessive Fees from 2007 through 2009

4. During the period from January 2007 through December 2009, Respondent's clients authorized Respondent to automatically deduct the investment management fees due from their respective accounts. Respondent could achieve such deductions by sending instructions directly to the brokerage firm maintaining custody of the client funds ("Custodian 1").
5. Between January 2007 and December 2009, Respondent withdrew money from at least one client's account in excess of the fees that Respondent was entitled to receive pursuant to the written agreement with the client ("Client A").
6. From January 2007 through December 2009, Respondent withdrew a total of one million six hundred eleven thousand two hundred ninety one dollars (\$1,611,291.00) from the investment account that Respondent was managing for Client A.
7. The actual amount of fees due from Client A under Respondent's written agreement with Client A and based on the assets in the investment account was less than forty five thousand dollars (\$45,000.00).
8. In other words, Respondent withdrew approximately \$1.56 million dollars over the amount due from Client A under the terms of Respondent's written agreement with Client A. The amounts withdrawn from Client A's account as management fees were deposited into HSL's account at Custodian 1.
9. Respondent represents that some of the amounts withdrawn in excess of the fees due constituted various loans Client A made to an entity named Traveler Overseas Holdings, LLC ("Traveler Overseas")¹, an entity into which Client A had previously made an investment of \$565,000.
10. Although some money was paid to Traveler Overseas from Respondent HSL's account, there is no documentation associated with these purported loans nor is there any record indicating that these payments were being made on behalf of Client A.
11. Moreover, many payments to Traveler Overseas do not coincide in timing with the excessive amounts withdrawn from Client A's account.
12. For example, there were no payments to Traveler Overseas in August or September 2007.

¹ Respondent shared office space with, and lent funds to, Traveler Overseas.
Disciplinary Order/Sarah Helen Hancock/Page 2

13. Yet in August 2007, Respondent withdrew \$62,320 from Client A's account, which was then deposited into HSL's account. HSL's account balance at the start of August 2007 was approximately \$9,200. Despite the lack of any payments to Traveler Overseas in the month and the deposit of \$62,320 from Client A's account, HSL's account ended August 2007 with a balance of approximately \$1,300.
14. In August 2007, among other expenses Respondent caused HSL to pay:
 - (a) Approximately \$30,000 in checks to Respondent; and
 - (b) Over \$18,000 to American Express.
15. Similarly, in September 2007, Respondent withdrew \$87,631 from Client A's account, which was then deposited into HSL's account. HSL's account balance at the start of September 2007 was approximately \$1,300. Again, while there were no payments to Traveler Overseas in the month, HSL's account balance was only about \$9,900 at the end of the month.
16. In September 2007, among other expenses Respondent caused HSL to pay:
 - (a) Approximately \$21,000 in checks to Respondent; and
 - (b) Over \$33,000 to American Express.
17. Furthermore, even in months where payments to Traveler Overseas coincided with withdrawals from Client A's account, the payments to Traveler Overseas were far less than the excessive amount withdrawn from Client A's account.
18. For example, in April 2008, Respondent withdrew \$69,727 from Client A's account, which was deposited into HSL's account. There was only a payment of \$10,000 from HSL account to Traveler Overseas in April 2008. Notably, HSL started April 2008 with an account balance of approximately \$2,000 and ended the month with about \$9,700.

Excessive Fees from 2010 through 2015

19. In or about January 2010, clients of Respondent opened accounts at a new custodian ("Custodian 2") and authorized Respondent to directly withdraw management fees due from their respective accounts.
20. During the period between January 2010 and April 2015, Respondent continued to collect amounts of money from Client A and several other clients. In doing so, Respondent collected amounts in excess of the fees due from such clients.
21. During this period, Respondent collected these amounts by directly withdrawing purported management fees from client accounts and by obtaining checks drawn on clients' accounts at financial institutions other than Custodian 2.

Misrepresentations on Client Invoices

22. Respondent's provided clients invoices, titled "Statement of Management Fees" associated with the management fees charged to clients, including Client A and other clients. These documents listed: a "portfolio valuation" as of a specific date; the annual investment management fee rate (i.e., 1.000% per annum); and a line titled "Total Due and Payable".
23. The Statements of Management Fees Respondent provided to Client A from January 2010 through at least March 2015 significantly misrepresented the dollar value of Client A's portfolio managed by Respondent.
24. For example, one Statement of Management Fees lists Client A's portfolio valuation as of September 30, 2013 as \$1,619,152. The Statement of Management Fees specifically listed Client A's account number at Custodian 2. Client A's investment account at Custodian 2 on September 30, 2013 was valued at only \$24,244.70.
25. Respondent used the inflated portfolio valuations as justifications for the amounts Respondent collected as investment management fees from Client A from January 2010 through at least March 2015.
26. In or about April 2015, the staff of the Texas State Securities Board ("Staff") initiated an investigation into Respondent's activities and, specifically, the amounts collected from Respondent's clients as investment management fees. In connection with the Staff's investigation, Respondent provided incomplete and unsubstantiated claims related to the management fee charges.

UNDERTAKING

1. Respondent undertakes and agrees that on or before April 15, 2016, Respondent will deliver a letter to each person that has been a client of HSL at any time between January 2010 and the present. Respondent further undertakes and agrees that this letter will state that the Securities Commissioner has revoked Respondent's license (effective April 15, 2016) and that Respondent has agreed to cease engaging in any financial services activity requiring registration with the Securities Commissioner. The letter will also notify clients of HSL of the identity of a new licensed individual who will assume responsibility for all activity at HSL requiring licensing.
2. Respondent further undertakes and agrees that on or before April 21, 2016, Respondent will submit to the Deputy Securities Commissioner a copy of the letter described above and evidence that letters were sent in compliance with paragraph 1 of this Undertaking.
3. Respondent further undertakes and agrees to not act as a "dealer", "agent", "investment adviser" or "investment adviser representative" in the State of Texas as those terms are defined by Section 4 of the Texas Securities Act.

CONCLUSIONS OF LAW

1. Respondent's withdrawals of funds from clients' accounts as investment management fees in excess of the amounts that Respondents were actually due and misrepresentations of portfolio valuations on invoices for Client A, constituted fraudulent business practices.
2. Pursuant to Section 14.A(3) of the Texas Securities Act, Respondent's fraudulent business practices constitute bases to revoke Respondent's registration with the Securities Commissioner.
3. Pursuant to Section 23.B of the Texas Securities Act, Respondent's fraudulent practices constitute bases for issuance of an Order requiring Respondent's to immediately cease and desist from the fraudulent conduct.

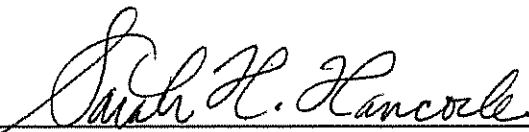
ORDER

1. It is therefore ORDERED that the investment adviser representative registration of Sarah Helen Hancock with the Securities Commissioner will be REVOKED at 5:00 PM Central Time on April 15, 2016.
2. It is further ORDERED that Sarah Helen Hancock CEASE AND DESIST from engaging in fraudulent conduct.
3. It is further ORDERED that Sarah Helen Hancock COMPLY with the terms of the Undertaking contained herein.

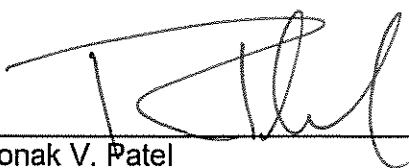
SIGNED AND ENTERED BY THE SECURITIES COMMISSIONER this 23rd day of March, 2016.

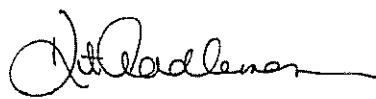

JOHN MORGAN
Securities Commissioner


Respondent:


Sarah Helen Hancock

Approved as to Form:


Ronak V. Patel
Deputy Securities Commissioner


Kit Addleman
Attorney for Respondent


Callie A. Baker
Attorney, Inspections and Compliance

ACKNOWLEDGMENT

On the 22nd day of March, 2016, Sarah Helen Hancock ("Respondent") personally appeared before me, executed the foregoing Order and acknowledged that:

1. Respondent has read the foregoing Order;
2. Respondent has been fully advised of her rights under the Texas Securities Act and the Administrative Procedure Act;
3. Respondent knowingly and voluntarily consents to the entry of the foregoing Order and the Undertaking and the Findings of Fact and Conclusions of Law contained therein; and
4. Respondent, by consenting to the entry of the foregoing Order, has knowingly and voluntarily waived her rights as set forth therein.

J. Richard Tubb
Notary Public in and for
the State of Texas

My commission expires on: 2-16-2019

[affix notary seal here]

