

**FINANCIAL INDUSTRY REGULATORY AUTHORITY  
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT  
NO. 2015047008703**

TO: Department of Enforcement  
Financial Industry Regulatory Authority ("FINRA")

RE: Jeffrey A. Hill, Respondent  
CRD No. 2204945

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, I submit this Letter of Acceptance, Waiver, and Consent ("AWC") for the purpose of proposing a settlement of the alleged rule violations described below. This AWC is submitted on the condition that, if accepted, FINRA will not bring any future actions against me alleging violations based on the same factual findings described herein.

**I.**

**ACCEPTANCE AND CONSENT**

- A. I hereby accept and consent, without admitting or denying the findings, and solely for the purposes of this proceeding and any other proceeding brought by or on behalf of FINRA, or to which FINRA is a party, prior to a hearing and without an adjudication of any issue of law or fact, to the entry of the following findings by FINRA:

**BACKGROUND**

Hill entered the securities industry in 1991. He has been registered with FINRA or its predecessor as a general securities representative since 1993, and he was registered as a government securities representative from 1993 to 2000. He has been dually-registered as an investment advisor representative since August 2014. After associating with three firms from 1991 to 2003, he associated with Dougherty & Company (CRD No. 7477) ("Dougherty") from 2003 to June 2014. Since that time, he has associated with another firm.

**RELEVANT DISCIPLINARY HISTORY**

Hill has not previously been disciplined by FINRA, the Securities and Exchange Commission, or any state securities regulator.

## OVERVIEW

From January 2010 to June 2014, Hill initiated hundreds of trades for two elderly customers without contacting them approximately half of the time, and recommended or engaged in dozens of transactions that were qualitatively or quantitatively unsuitable or lacked a reasonable basis, including short-term trading of corporate and municipal bonds. By doing so, Hill violated NASD Rules 2310 and 2510(b), FINRA Rules 2010 and 2111, and MSRB Rules G-17 and G-19.

## FACTS AND VIOLATIVE CONDUCT

### 1. Discretion

NASD Rule 2510(b) states that “[n]o ... registered representative shall exercise any discretionary power in a customer’s account unless such customer has given prior written authorization to a stated individual or individuals and the account has been accepted by the member, as evidenced in writing by the member or the partner, officer or manager, duly designated by the member, in accordance with Rule 3010.” Violating that rule—like any other NASD or FINRA rule—also constitutes a violation of FINRA Rule 2010.

Hill’s customers at Dougherty included Customer 1 and Customer 2, who were both elderly. Between January 2010 and June 2014, Hill initiated hundreds of trades for Customer 1 and Customer 2. Hill initiated approximately half of those trades without first obtaining those customers’ approval. Neither of those customers explicitly permitted Hill to use discretion in their accounts, although Customer 1 repeatedly approved the activity in her accounts and Customer 2 did not complain during that period. Nor did Dougherty allow Hill to use discretion in any customer’s account. By initiating hundreds of trades for Customer 1 and Customer 2 without their explicit prior approval and Dougherty’s permission, Hill violated NASD Rule 2510(b) and FINRA Rule 2010.

### 2. Suitability

Before July 9, 2012, NASD Rule 2310(a) required associated people to “have reasonable grounds for believing” that any recommendation to “purchase, sell, or exchange” a security is suitable. Since July 9, 2012, FINRA Rule 2111(a) has required associated people to “have a reasonable basis to believe that a recommended transaction or investment strategy involving a security or securities is suitable for the customer”. Similarly, MSRB Rule G-19 requires brokers to “have a reasonable basis to believe that a recommended transaction or investment strategy involving a municipal security or municipal securities is suitable for the customer”. As the commentary to MSRB Rule G-19 states, that rule “is fundamental to fair dealing and is intended to promote ethical sales practices and high standards of professional conduct.” So, violating MSRB Rule G-19 also

constitutes a violation of MSRB Rule G-17, which prohibits "any ... unfair practice".

On twenty-five occasions between January 2010 and June 2014, Hill recommended that Customer 1 or Customer 2 sell bonds shortly after buying them, or initiated such transactions for those customers. Six of those recommendations and transactions involved municipal bonds; the remainder involved corporate bonds. Neither changes in the bonds' prices, interest that accrued, changes in the issuers' condition, nor any other factors justified that short-term trading.

Hill had no reasonable basis to believe that such short-term trading was suitable for any customer, particularly in light of the commissions that the customers paid as result of those transactions. Moreover, that trading was also quantitatively unsuitable, as the level of in-and-out activity and the resulting commissions were inconsistent with Customer 1's and Customer 2's financial situations, needs, and objectives.

Additionally, from January 2010 to June 2014, Hill recommended that Customer 2 purchase securities on margin, and he purchased securities on margin for Customer 2's account. Hill's recommendation to use margin and his use of margin to purchase those securities was inconsistent with Customer 2's investment objectives, income needs, and other available assets, and thus was qualitatively unsuitable.

As a result, Hill's recommendations and transactions involving corporate bonds and use of margin before July 9, 2012 violated NASD Rule 2310 and FINRA Rule 2010, his recommendations and transactions involving corporate bonds and use of margin after July 9, 2012 violated FINRA Rules 2010 and 2111, and his recommendations and transactions involving municipal bonds violated MSRB Rules G-17 and G-19.

**B. I also consent to the imposition of the following sanctions:**

Suspension in all capacities of fifteen months

Fine of \$5,000 (\$1,250 of which pertains to the violations of MSRB Rules G-17 and G-19)

Disgorgement of commissions received of \$45,000

I understand that if I am suspended from associating with any FINRA member, I become subject to a statutory disqualification as that term is defined in Article III, Section 4 of FINRA's By-Laws, incorporating Section 3(a)(39) of the Securities Exchange Act of 1934. Accordingly, I may not be associated with any FINRA member in any capacity, including clerical or ministerial functions, during the period of the suspension (see FINRA Rules 8310 and 8311).

I agree to pay the monetary sanctions imposed in this matter upon notice that this

AWC has been accepted and that such payments are due and payable. I have submitted an Election of Payment form showing the method by which I propose to pay the fine imposed. I specifically and voluntarily waive any right to claim that I am unable to pay, now or at any time hereafter, those monetary sanctions.

The sanctions imposed in this matter shall be effective on a date set by FINRA staff.

## **II.**

### **WAIVER OF PROCEDURAL RIGHTS**

I specifically and voluntarily waive the following rights granted under FINRA's Code of Procedure:

- A. To have a Complaint issued specifying the allegations against me;
- B. To be notified of the Complaint and have the opportunity to answer the allegations in writing;
- C. To defend against the allegations in a disciplinary hearing before a hearing panel, to have a written record of the hearing made and to have a written decision issued; and
- D. To appeal any such decision to the National Adjudicatory Council ("NAC") and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, I specifically and voluntarily waive any right to claim bias or prejudgment of the Chief Legal Officer, the NAC, or any member of the NAC, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including acceptance or rejection of this AWC.

I further specifically and voluntarily waive any right to claim that a person violated the ex parte prohibitions of FINRA Rule 9143 or the separation of functions prohibitions of FINRA Rule 9144, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including its acceptance or rejection.

## **III.**

### **OTHER MATTERS**

I understand that:

- A. Submission of this AWC is voluntary and will not resolve this matter unless and

until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs ("ODA"), pursuant to FINRA Rule 9216;

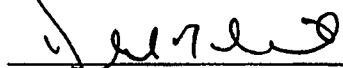
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against me; and
- C. If accepted:
  - 1. this AWC will become part of my permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against me;
  - 2. this AWC will be made available through FINRA's public disclosure program in accordance with FINRA Rule 8313;
  - 3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with FINRA Rule 8313; and
  - 4. I may not take any action or make or permit to be made any public statement, including in regulatory filings or otherwise, denying, directly or indirectly, any finding in this AWC or create the impression that the AWC is without factual basis. I may not take any position in any proceeding brought by or on behalf of FINRA, or to which FINRA is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects my testimonial obligations or right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.
- D. I may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. I understand that I may not deny the charges or make any statement that is inconsistent with the AWC in this Statement. This Statement does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA or its staff.

I certify that I have read and understand all of the provisions of this AWC and have been given a full opportunity to ask questions about it; that I have agreed to its provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein and the prospect of avoiding the issuance of a Complaint, has been made to induce me to submit it.

11/21/16  
Date (mm/dd/yyyy)

  
Jeffrey A. Hill

Reviewed by:


  
Donald R. McNeil (#200840)  
Counsel for Respondent  
Heley, Duncan & Melander, PLLP  
8500 Normandale Lake Boulevard, Suite 2110  
Minneapolis, Minnesota 55437  
952-841-0001

22 Nov 2016

Accepted by FINRA:

Nov. 28, 2016  
Date

Signed on behalf of the  
Director of ODA, by delegated authority

  
J. Loyd Gattis III  
Principal Regional Counsel  
FINRA Department of Enforcement  
120 West 12th Street  
Kansas City, Missouri 64105  
816-802-4710 (telephone)  
816-421-4519 (facsimile)

**MITIGATION STATEMENT**  
**By Jeffrey A. Hill**  
**TO LETTER OF ACCEPTANCE, WAIVER AND CONSENT**  
**2015047008703**

*This mitigation statement is submitted by the respondent. It does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA or its staff.*

Please accept this as a mitigation statement setting forth the demonstrable steps taken to correct the problem that gave rise to this letter of acceptance, waiver and consent. For a number of years, I suffered from untreated alcoholism which influenced and gave rise to a number of problems in my life. The level of alcoholism was severe. I recognize and acknowledge the damage caused by this alcoholism. I have taken a number of demonstrable steps to correct this problem.

First, I entered inpatient treatment for alcoholism in August 2015. I have been successfully sober since the date of admission for inpatient treatment. I continue to consistently attend meetings with my sponsor.

Second, I have entered into an agreement with my broker dealer for heightened supervision. This program requires that I provide transparency in all business dealings, including maintaining broker notes on a daily basis and a review of all customer accounts regularly.

Third, I have entered into this AWC, as well as another private settlement agreement with a customer (reported on the FINRA Broker Check), for the damage I caused.

Although the AWC does not make a requirement, I have voluntarily agreed to maintain my treatment for alcoholism in order to ensure that no problems arise in the future. I have also fully cooperated and provided full disclosure to FINRA as part of its investigation.

I regret the actions that have given rise to this disciplinary action. I have had an otherwise successful 25 year career in the financial industry and I intend to maintain my sobriety and follow these steps to ensure that no future issues ever arise again.