

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20140406335-01**

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

RE: Adam Denny Estes, Respondent
General Securities Representative
CRD No. 4089657

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, I, Adam Denny Estes ("Estes" or "Respondent"), 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

In November 1999, Respondent became employed in the securities industry when he was hired by J.J.B. Hilliard, W.L. Lyons, LLC (the "Firm"), a FINRA-regulated broker-dealer, as a broker trainee. He received his Series 7 (General Securities Representative) and 66 (Uniform Combined State Law) licenses in February 2000, and became a financial advisor in or about March 2000.

On March 21, 2014, the Firm filed a Rule 4530 Application with FINRA disclosing, among other things, that: (a) Respondent solicited and sold to Firm customers and others investments in outside businesses in which he was an investor; (b) certain of Respondent's outside investments had not been disclosed to the Firm; and (c) Respondent failed to identify certain outside activities as "investment-related" on certain internal Firm disclosure forms.

Respondent's employment with the Firm terminated on July 31, 2016. However, he is still registered with the Firm, and therefore remains subject to FINRA's jurisdiction.

RELEVANT DISCIPLINARY HISTORY

Respondent has no prior disciplinary history in the securities industry.

OVERVIEW

Between May 2012 and March 2014, Respondent violated NASD Rule 3040 and FINRA Rule 2010 by participating in eleven private securities transactions without providing prior written notice to his FINRA-regulated broker-dealer employer. These transactions, which totaled over \$1.2 million, involved five small businesses in which Respondent and others, including a Firm customer, invested.

Between May 2009 and March 2014, Respondent also violated NASD Rule 3030 and FINRA Rule 2010 (through December 14, 2010) and FINRA Rules 3270 and 2010 (on December 15, 2010 and subsequent thereto) by engaging in four outside business, two of which were formed by Respondent and others, without providing prior written notice to the Firm.

Further, Respondent violated FINRA Rule 2010 by making misrepresentations and omissions concerning the above private securities transactions and outside business activities in eleven Firm annual questionnaires and other compliance documents between 2010 and 2014.

FACTS AND VIOLATIVE CONDUCT

Private Securities Transactions

NASD Rule 3040 provides that "[n]o person associated with a member shall participate in any manner in a private securities transaction except in accordance with the requirements of this Rule." A private securities transaction is defined as "any securities transaction outside the regular course or scope of an associated person's employment with a member."

Prior to participating in a private securities transaction, an associated person must provide written notice to his or her FINRA-regulated broker-dealer employer, "describing in detail the proposed transaction and the person's proposed role therein and stating whether he has received or may receive selling compensation in connection with the transaction."

FINRA Rule 2010 requires associated persons to observe high standards of commercial honor and just and equitable principles of trade. A violation of NASD Rule 3040 constitutes a violation of FINRA Rule 2010.

The Firm's policies between 2012 through 2014 required its employees to provide the Firm with prior written notice of their intent to engage in any private securities transaction and to obtain the Firm's prior written approval before doing so.

During the period May 2012 through March 2014, Respondent personally invested in three limited liability corporations, AL, PE, and QU, and a corporation, DQ, each of which was formed in the state of Indiana.

AL, which was formed in 2012, purchased, sold and owned real estate, including a 29 acre-site commercial site. In January 2013 and February 2014, Respondent invested a total of \$251,000 in the LLC, receiving a 50% ownership interest in it.

DQ, formed in 2013, sold hazardous substance decontamination products and healthcare emergency preparedness services. In August and September 2013, Respondent invested a total of \$100,000 in the corporation, receiving a 20% ownership interest in it.

PE, formed in 2012, operated a retail ice cream and food stand located in Indiana. In two transactions during May 2012, Respondent invested a total of \$51,060 in the LLC, receiving a 30% ownership interest in it.

QU, formed in 2013, engaged in management consulting. In December 2013, Respondent invested \$250,000 in the LLC, receiving a 7% ownership interest in it.

In addition, in the summer of 2013, Respondent solicited LO, a Firm customer, to purchase PE ownership interests from others representing approximately 18% of such outstanding interests for \$40,000, which LO did in July 2013.

In the fall of 2013 through early 2014, Respondent solicited two additional investors, JI Investments, a private equity firm, and JL, its manager, to invest in DQ and HR, the latter of which was an Indiana LLC that produced and bottled alcoholic beverages. On April 11, 2014, JL purchased 32 shares of DQ for \$137,000 or 16% of the company. In March and July 2014, JI Investments purchased 4,886 HR interests for a total of \$400,000.

In total, Respondent participated in private securities transactions of approximately \$1,229,060, \$652,060 which he personally invested and \$577,000 which was invested by Firm customer LO, and investors JI Investments and JL. Respondent had an economic interest in the businesses when these three investors made their investments.

Respondent made the aforementioned investments on his own behalf, and solicited the investments of LO, JI Investments, and JL. The investments occurred outside of the regular course and scope of Respondent's employment with the Firm. In addition, the ownership interests obtained in connection with these investments--stock and LLC interests--were securities.

Prior to participating in the above private securities transactions, Respondent neither provided written notice to the Firm, nor sought or obtained the Firm's permission to participate in them, in violation of NASD Rule 3040 and FINRA Rule 2010.

Outside Business Activities

NASD Rule 3030 and FINRA Rule 3270 prohibit a registered representative from engaging in any business activity outside the scope of his or her employment without providing written notice to his or her FINRA-regulated broker-dealer employer.¹

A violation of NASD Rule 3030 or FINRA Rule 3270 is also a violation of FINRA Rule 2010.

The Firm's policies between 2009 through 2014 required its employees to both provide the Firm with prior written notice of their intent to engage in any outside business activity and to obtain the Firm's prior written approval before doing so.

In May 2009, Respondent, two Firm customers, and an individual who was not a Firm customer, formed and became members of BT, an Indiana LLC that purchased a limousine, a bus and a shuttle van for its members' personal use. Pursuant to BT's membership agreement, the company's members managed BT.

Further, beginning in April 2012 through at least 2013, Respondent's duties included working on issues relating to the LLC's leases, space requirements, equipment and locations, and assisting with the LLC's identification and retention of a company accountant and its hiring of a general manager.

Respondent also served as a member of DQ's Board of Directors during September 2013 through the present. During that time, he has attended annual meetings of the board.

Finally, in February 2014, Respondent and an individual who was not a Firm customer formed and became members of BB, an Indiana LLC that purchased and owned a private airplane for its members' use. Pursuant to BB's membership agreement, the company's members managed BB.

The activities by Respondent with respect to BT, BB, DQ and PE were outside the course and scope of his employment with the Firm. However, Respondent did not provide prior written notice of such activities to the Firm, as required by NASD Rule 3030 and FINRA Rule 3270.

By virtue of this conduct, Respondent violated NASD Rule 3030 (for conduct occurring before December 15, 2010), FINRA Rule 3270 (for conduct occurring on and after December 15, 2010) and FINRA Rule 2010.

¹ NASD Rule 3030 was superseded by FINRA Rule 3270 effective December 15, 2010.

Misstatements to a FINRA-Regulated Firm

Providing misleading or false answers to a FINRA regulated broker-dealer on compliance questionnaires or other internal Firm documents violates FINRA Rule 2010.

During 2010 through November 2014, Respondent made misrepresentations and/or omissions on the following eleven Firm compliance documents:

- a. October 28, 2013, June 20, 2012 and April 29, 2013 questionnaires in which Respondent attested that he had complied with the Firm's policies concerning private securities transactions.
- b. A 2010 certification which contained a list of the outside business activities that Respondent had engaged.
- c. October 1, 2012 and January 16, 2014 certifications which contained lists of the private securities transactions and outside business activities in which Respondent was engaged.
- d. May 17, 2012, September 29, 2014, and November 17, 2014 disclosure forms stating that he was a passive member of PE.
- e. March 13 and 31, 2014 disclosure forms stating that his only relationship with DQ was that of an investor.

Each of the above documents were false in that in that they did not reflect the true outside business activities and private securities transactions in which Respondent was engaged at the time that he made the attestations and/or certifications contained therein.

Further, Respondent was not a passive member of PE, but instead was an active member, working on issues relating to the LLC's leases, space requirements, equipment and locations, and assisting with the identification and retention of a company accountant and its hiring of a general manager. He also had a more significant role with DQ than as an investor in that he served on the company's Board of Directors.

By virtue of this conduct, Respondent violated FINRA Rule 2010.

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

- A 15-month suspension from association with any FINRA member in any capacity; and
- A \$15,000 fine

I agree to pay the monetary sanction upon notice that this AWC has been accepted and that such payment is 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, the monetary sanction imposed in this matter.

I understand that if I am barred or 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 bar or suspension (see FINRA Rules 8310 and 8311).

The sanctions imposed herein 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: (i) testimonial obligations; or (ii) 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.

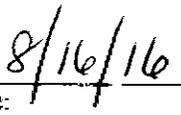
I certify that I have read and understand all of the provisions of this AWC and have been given a full opportunity to ask questions about it; that I have agreed to its provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein and the

prospect of avoiding the issuance of a Complaint, has been made to induce me to submit it.

Date: 07/29/2016


Adam Denny Estes, Respondent

Accepted by FINRA:


Date: 8/16/16

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



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