

FINANCIAL INDUSTRY REGULATORY AUTHORITY

In The Matter of
The Association of
Randy G. Ruhl
as a
Municipal Securities Representative
with
J.J.B. Hilliard, W.L. Lyons, LLC

Notice Pursuant to
Rule 19h-1
Securities Exchange Act
of 1934

SD-2040

September 13, 2016

On September 4, 2014, J.J.B. Hilliard, W.L. Lyons, LLC (“Hilliard Lyons” or the “Firm”) filed a Membership Continuance Application (“MC-400” or “Application”) with FINRA’s Department of Registration and Disclosure (“RAD”), seeking to sponsor the association of Randy G. Ruhl (“Ruhl”), a person subject to a statutory disqualification, as a Municipal Securities Representative.¹ A hearing was not held in this matter; rather, pursuant to FINRA Rule 9523(b), FINRA is filing this Notice pursuant to Rule 19h-1 of the Securities Exchange Act of 1934 (“Exchange Act”).

I. Ruhl’s Statutorily Disqualifying Event

Ruhl is subject to a statutory disqualification, as that term is defined in Section 3(a)(39)(F) of the Exchange Act, incorporating by reference Section 15(b)(4)(E), as a result of the U.S. Securities and Exchange Commission’s (“SEC” or “Commission”) July 29, 2013 administrative order (“Order”) finding that he willfully aided and abetted and caused his former employer’s violations of Sections 10(b), 15(c)(2) and 15B(c)(1) of the Exchange Act and Rules 10b-5(b) and 15c2-12 thereunder, and Municipal Securities Rulemaking Board (“MSRB”) Rules G-17 and G-20, and caused his former employer’s violations of Section 17(a)(2) of the Securities Act of 1933 (“Securities Act”).²

¹ See MC-400 Application dated August 29, 2014 filed In the Matter of the Association of Randy Ruhl with J.J.B. Hilliard Lyons, W.L. Lyons, LLC (SD-2040) (without the Firm’s attached Written Supervisory Procedures) (attached as Attachment 1).

² *In the City Securities Corporation and Randy Ruhl*, Admin. Proc. File No. 3-15390, Securities Act Release No. 9434, Exchange Act Release No. 70056, Investment Company Act Release No. 30632 (July 29, 2013) (attached as Attachment 2).

According to the Order, Ruhl was involved in a series of events that led to violations of the federal securities laws by his former employer, City Securities Corporation (“City Securities”), a registered broker-dealer that acted as an underwriter for various municipal bond offerings by Indiana municipalities, including bond offerings on behalf of the West Clark Community Schools (the “School District”). During the relevant period, Ruhl was an executive vice president and supervisor of City Securities’ Public Finance & Municipal Bond Department. As such, he oversaw public finance banking, municipal underwriting and municipal bond trading and was responsible for the department’s day-to-day operations. In his capacity as a supervisor, Ruhl approved of and substantially assisted in City Securities’ misconduct.³

Specifically, the Order found that City Securities, as the sole underwriter for the School District’s 2007 bond offering, conducted inadequate due diligence. As a result, it failed to form a reasonable basis for believing the truthfulness of material statements in the School District’s official statement, in particular its assertion that it had complied with its prior continuing disclosure undertakings, which resulted in City Securities offering and selling municipal securities on the basis of a materially misleading disclosure statement. In addition, City Securities failed generally to enact procedures, and did not take reasonable steps to ensure it would receive prompt notice of certain submissions by municipal issuers, or notice of an issuer’s failure to make required submissions. In connection with other municipal bond offerings between December 2007 and 2010, City Securities fraudulently mischaracterized expenses for entertainment, charitable donations and gratuities as expenses for ‘Printing, Preparation and Distribution of Official Statement,’ so as to obtain reimbursement from bond proceeds without the knowledge of various municipal securities issuers. Finally, City Securities also approved and provided improper entertainment and gratuities to representatives of issuers of municipal bonds.⁴

For his role, Ruhl was ordered to cease and desist from committing or causing any violations of Section 17(a) of the Securities Act, Sections 10(b), 15(c)(2) and 15B(c)(1) of the Exchange Act and Rules 10b-5 and 15c2-12 thereunder, and violations and any future violations of MSRB Rules G-17 and G-20 that would cause him to violate Section 15(B)(c)(1) of the Exchange Act. In addition, Ruhl was barred, with the right to apply for reentry after one year to the appropriate self-regulatory organization, or if there is none, to the Commission, from association with any broker, dealer, investment adviser, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization; from serving or acting as an employee, officer, director, member of an advisory board, investment adviser or depositor of, or principal underwriter for, a registered investment company or affiliated person of such investment adviser, depositor, or principal underwriter; and from participating in any offering of a penny stock, including: acting as a promoter, finder, consultant, agent or other person who engages in activities with a broker, dealer or issuer for purposes of the issuance or trading

³ *Id.*

⁴ *Id.*

in any penny stock, or inducing or attempting to induce the purchase or sale of any penny stock.⁵ Ruhl was also barred from association in a supervisory capacity with any broker, dealer, investment adviser, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization. Lastly, he was ordered to pay disgorgement of \$18,155, prejudgment interest of \$2,165 and a civil penalty of \$18,155, which he has paid.⁶

II. Background Information of Ruhl

A. Proposed Business Activities & Compensation

Hilliard Lyons proposes that Ruhl, who will be solely registered as a Municipal Securities Representative, work as a senior investment banker in the Public Finance Department of the Firm's Municipal Securities Group.⁷ He will be responsible for new business contacts and the banking origination of municipal financings.⁸ The Firm represents that he will not act in a supervisory capacity.⁹

For his duties, Ruhl will be compensated by means of an annual salary and performance bonus.¹⁰ Additionally, the Firm anticipates awarding Ruhl a de-minimis amount of stock upon joining the Firm and a forgivable loan.¹¹ Ruhl will have an opportunity to purchase additional stock in the Firm; however, his ownership percentage will never equal or exceed 1%.¹²

B. Employment & Registration History

Ruhl began his career in the securities industry in May 1988 working for City Securities.¹³ He was employed at the firm until July 2013, when he was terminated as a result of the SEC's Order that barred him in certain capacities and rendered him

⁵ *Id.*

⁶ *Id.*; email dated May 1, 2015 from Smith Greig of the SEC to Bernard Canepa of FINRA (attached as Attachment 3).

⁷ Attachment 1, *supra* note 1, at p. 252; *see also* Central Registration Depository ("CRD") Snapshot of Ruhl at p. 3 (attached as Attachment 4).

⁸ Attachment 1, *supra* note 1, at p. 252.

⁹ Attachment 1, *supra* note 1, at pp. 252 and 279.

¹⁰ *Id.*

¹¹ *Id.* at p. 255.

¹² *Id.* *See also* letter dated April 9, 2015 from Thomas McGonigle, counsel to Hilliard Lyons and Ruhl, to Canepa (attached as Attachment 5).

¹³ Attachment 4, *supra* note 7, at p. 5.

statutorily disqualified from the securities industry.¹⁴ He has been unemployed since then.¹⁵

Ruhl qualified as a Municipal Securities Representative (Series 52) in August 1988 and as a Municipal Securities Principal (Series 53) in September 2007.¹⁶ He passed the requisite Uniform Securities Agent State Law Examination (Series 63) in March 2015.¹⁷

C. Additional Disciplinary History

As a result of the bar imposed by the SEC, on January 16, 2014, the Indiana Securities Division (“Indiana” or “Securities Division”) summarily barred him from registering with the Securities Division.¹⁸ However, on April 27, 2015, Indiana, upon petition by Ruhl, issued an order to vacate the bar subject to two conditions: 1) the implementation of a heightened supervisory plan for Ruhl; and 2) FINRA and/or the SEC’s approval of his association with a broker-dealer or investment adviser.¹⁹

D. Prior SEC Rule 19h-1 and 19d-1 Notices

Ruhl has no prior approvals or denials pursuant to SEC Rules 19h-1 or 19d-1.

III. Background Information of Hilliard Lyons

Hilliard Lyons, a NASD n/k/a FINRA member since 1936, is headquartered in Louisville, Kentucky, and engages in both a securities and investment advisory business.²⁰ In addition to registrations as a broker-dealer and investment adviser, it is registered as a municipal securities dealer and municipal advisor.²¹

¹⁴ *Id.* at p. 4.

¹⁵ *Id.* at p. 5.

¹⁶ *Id.* at p. 6. Ruhl withdrew his request to associate with Hilliard Lyons as a Municipal Securities Principal in July 2015. Attachment 4, *supra* note 7, at p. 3.

¹⁷ *Id.*

¹⁸ Petition for Order of Permanent Bar, Cause No. 14-0032 SB, and Order of Permanent Bar, both dated January 16, 2014 (attached as Attachment 6).

¹⁹ Order Adopting Proposed Final Order Vacating Permanent Bar, Cause No. 14-0032 SB, dated April 27, 2015 (attached as Attachment 7). Absent no-action relief from the SEC, the bar would subject Ruhl to an additional statutory disqualification; however, this issue will become moot when Indiana vacates the bar after the two conditions are met (*e.g.*, FINRA approves the Application subject to a heightened supervisory plan).

²⁰ Attachment 1, *supra* note 1, at pp. 254 and 915.

²¹ See CRD Organization Registration Status and Investment Adviser Registration Depository (“IARD”) Registration/Reporting Status for Hilliard Lyons (attached as Attachment 8). See also MSRB registrations,

The Firm represents in the Application that it has 46 Offices of Supervisory Jurisdiction (“OSJs”) and 38 branch offices.²² The Firm further represents that it employs 80 registered principals, 411 registered representatives and non-registered 1,115 employees.²³

A. The Firm's Recent Cycle Examination History

Hilliard Lyons two most recent cycle examinations were conducted in 2013 and 2014. The 2013 cycle examination, which examined the Financial/Operational and Sales Practice areas of the Firm, resulted in a cautionary action for three exceptions, including certain recordkeeping deficiencies relating to municipal securities and the Firm’s stock record, and failing to maintain adequate controls over, and written supervisory procedures (“WSPs”) related to the supervision of, manual journal entries in the Firm’s BETA system/Stock Record, among other things.²⁴ The Firm addressed the exceptions in the report by adopting or updating procedures.²⁵ The 2014 cycle examination, solely a Financial/Operational examination of the Firm, resulted in a cautionary action for two exceptions, including failing to take a capital charge for a loan received by its parent and failing to have a process in place to monitor whether a customer is holding control or restricted securities away from the Firm, which is necessary to ensure compliance with the margin requirements of FINRA Rule 4210.²⁶ The Firm recorded a capital charge to address the former exception, and implemented a process to address the latter exception.²⁷

B. Recent Formal Disciplinary History by FINRA and other SROs

In the past five years, Hilliard Lyons settled five FINRA disciplinary actions and one NASDAQ action by executing Letters of Acceptance, Waiver and Consent (“AWC”).²⁸ Collectively, the AWCs found that the Firm, failed to apply the waivers to mutual fund

available at: <http://www.msrb.org/Registrants.aspx?listType=Dealer> and <http://www.msrb.org/Registrants.aspx?listType=MA>.

²² Attachment 1, *supra* note 1, at p. 254.

²³ *Id.*

²⁴ See 2013 Cycle Examination (Examination Number 20130349515) documents (attached as Attachment 9).

²⁵ *Id.*

²⁶ See 2014 Cycle Examination (Examination Number 20140389171) documents (attached as Attachment 10).

²⁷ *Id.*

²⁸ Attachment 1, *supra* note 1, at pp. 925-44 and 964-86.

purchases made by eligible institutional clients²⁹; failed to reasonably supervise mutual fund sales to ensure that eligible customers who purchased mutual fund shares received the benefit of applicable sales charge waivers³⁰; failed to apply sales charge discounts to certain customers' eligible purchases of unit investment trusts in violation of FINRA Rule 2010³¹; purchased or sold municipal securities transactions with customers at an aggregate price that was not fair and reasonable when taking into account all relevant factors; accepted short sale orders that were not in compliance with Rules 203 and 204 of Regulation SHO; transmitted OATS reports that contained inaccurate, incomplete or improperly formatted data; issued research reports that were not in compliance with FINRA rules; and maintained inadequate procedures related to the receipt of customer funds, certain inter-company account reconciliations, research analysis and to ensure compliance with Regulation SHO; and collateral violations related to the Firm's inadequate procedures.³² The Firm was censured, fined a total of \$447,000, ordered to pay approximately \$1,298,687 in restitution to customers, and also ordered to take certain corrective measures.³³

C. Recent Disciplinary Actions by State Regulators

Additionally, Hilliard Lyons settled three disciplinary actions by state securities or insurance regulators in the past five years. In January 2011, the Firm executed a Stipulation and Consent with the Florida Department of Financial Services, which had grounds to deny the Firm's non-resident insurance agency license based on the Firm's disciplinary history.³⁴ As part of the settlement in which the Firm's license was conditionally approved, the Firm agreed to be placed on probation for two years.³⁵ In March 2011, the Firm settled a New York Insurance Department complaint alleging that the Firm provided untrue and incorrect information on four applications filed with the department; the Firm paid a fine of \$24,500.³⁶ In May 2011, the Firm settled a disciplinary action instituted by the Indiana Securities Commission for failing to properly train registered representatives regarding the risks and features of auction-rate securities ("ARS").³⁷ The Firm consented to pay a \$79,750 fine, \$7,500 in reimbursement for the

²⁹ See amendment A to Attachment 1, FINRA AWC 2015048307001, accepted on September 7, 2016. The Firm was censured and ordered to pay restitution in the amount of \$812,596 (*see* p. 3 and 4).

³⁰ *Id.*

³¹ See amendment B to Attachment 1, FINRA AWC 2014042544401, accepted on February 10, 2016. The Firm was censured, fined \$175,000 and ordered to pay restitution in the amount of \$328,491 (*see* p. 3).

³² *Id.*

³³ *Id.*

³⁴ *Id.* at pp. 945-52.

³⁵ *Id.*

³⁶ *Id.* at pp. 960-63.

³⁷ *Id.* at pp. 953-59.

state's investigatory costs, and use its best efforts to make loans at no-net-cost available to eligible investors and/or repurchase applicable ARS.³⁸

D. SEC Regulatory Actions

Hilliard Lyons has been a respondent in two Orders issued by the SEC, one of which rendered the Firm statutorily disqualified.

In August 25, 2016, the Firm became subject to a SEC Order ("2016 Order").³⁹ The SEC issued the 2016 Order against the Firm, as a registered investment adviser, because it published, circulated and distributed advertisements to certain of its advisory clients that contained untrue statements of material fact relative to the performance track record of a "sector rotation strategy" called AlphaSector.⁴⁰ In addition, the SEC found that the Firm failed to make and keep true, accurate and current records or documents necessary to form the basis for or demonstrate the calculation of the performance or rate of returns that it circulated and distributed. Without admitting or denying the findings made in the 2016 Order, Hilliard Lyons submitted an Offer of Settlement, which the Commission accepted. As a result, the Firm was ordered to: cease and desist from committing or causing any violations and future violations of Section 204(a) and 206(4) of the Advisers Act and Rules 204-2(a)(16), and 206(4)-1(a)(5) thereunder and pay a civil penalty of \$200,000.

In June 2015, Hilliard Lyons became subject to a SEC Order which rendered it statutorily disqualified ("2015 Order"). As part of the SEC's Municipalities Continuing Disclosure Cooperation Initiative ("MCDC Initiative"), the SEC offered certain settlement terms to any underwriter that self-reported to the SEC its involvement in an offering where the issuer of that offering failed to abide by its continuing disclosure requirements pursuant to Exchange Act Rule 15c2-12. As a result on June 18, 2015, the SEC issued the 2015 Order against the Firm, as an underwriter of municipal securities offerings, for its failure to conduct adequate due diligence in certain offerings, and as a result, failing to form a reasonable basis for believing the truthfulness of certain material representations in official statements issued in connection with those offerings. The Firm self-reported to the SEC its involvement in the offerings and without admitting or denying the findings made in the 2015 Order, Hilliard Lyons submitted an Offer of Settlement, which the Commission accepted. As a result, the Firm was ordered to: cease and desist from committing or causing any violations and future violations of Section 17(a)(2) of the Securities Act, pay a civil penalty of \$420,000, and comply with various

³⁸ *Id.*

³⁹ FINRA has determined that the 2016 Order does not subject the Firm to disqualification as there were no findings that Hilliard Lyons willfully violated any provisions of the Investment Advisers Act of 1940.

⁴⁰ Hillard Lyons offered the AlphaSector strategy to its clients between December 2011 and September 2013. AlphaSector is a sector rotation strategy based on an algorithm that yields a signal indicating whether to buy or sell nine industry exchange-traded funds that together make up the industries in the S&P 500 index.

undertakings from the SEC's 2015 Order. In October 2015 the Firm filed a Membership Continuance Application with FINRA ("MC-400A Application") seeking to continue its membership with FINRA, notwithstanding its statutory disqualification. On November 30, 2015, FINRA approved Hilliard Lyons' continuing membership with FINRA by filing a Notice with the Commission, pursuant to Exchange Act Rule 19h-1. The SEC's Division of Trading and Markets acknowledged receipt of FINRA's 19h-1 Notice filing on January 6, 2016.

Ruhl's Office Location & Proposed Supervisors

Ruhl will work from the Hilliard Lyons' branch office located at 10 W. Market Street, Suite 2450, Indianapolis, Indiana, which is an Office of Supervisory Jurisdiction ("OSJ").⁴¹ His primary supervisor is Alexander Rorke ("Rorke"), who will supervise Ruhl from an offsite location, specifically the Firm's home office in Louisville, Kentucky.⁴² Should Rorke be unavailable, Conway Robert Bond ("Robert Bond" or "Bond"), who splits his time evenly between the Indianapolis, Indiana and Denver, Colorado branch offices of Hilliard Lyons, will serve as Ruhl's alternate supervisor.⁴³ In the event that neither Rorke nor Bond is available, Matthew Heuttner ("Huettnr"), who is located in the Indianapolis branch office, will serve as Ruhl's second alternate supervisor.⁴⁴

A. Primary Supervisor

Rorke, who has worked in the securities industry since 1981, is a Principal, Senior Managing Director and head of the Firm's Municipal Securities Group.⁴⁵ He qualified as a General Securities Representative (Series 7) in September 1991 and as a Municipal Securities Principal (Series 53) in June 2001.⁴⁶ He also passed the requisite Uniform Securities Agent State Law Examination (Series 63) in September 1994.⁴⁷ In addition, he is registered as an associated person of Hilliard Lyons' municipal advisory business.⁴⁸

⁴¹ *Id.* at p. 252.

⁴² *Id.* at pp. 253 and 279.

⁴³ *Id.* at p. 279.

⁴⁴ Attachment 5, *supra* note 12.

⁴⁵ Attachment 1, *supra* note 1, at p. 278; Legacy Employment History of Rorke (attached as Attachment 11).

⁴⁶ CRD Snapshot of Rorke at p. 10 (attached as Attachment 12). Rorke's duties between 1981 and 1991 did not require him to have a securities license. *See* representation from the Firm in Attachment 5.

⁴⁷ Attachment 12, *supra* note 41, at p. 11.

⁴⁸ *See* Initial Form MA-I dated August 29, 2014 (attached as Attachment 13).

He has been associated with the following member firms during the following periods of time: Merrill Lynch Pierce Fenner & Smith, Inc. (September 1981 – April 1985); Salmon Brothers, Inc. (April 1985 – October 1987); Dean Witter Reynolds, Inc. (October 1987 – February 1993); UBS Financial Services, Inc. (February 1993 – January 2006); UBS Securities LLC (February 2006 – December 2008); Loop Capital Markets LLC (December 2009 – August 2011); and Hilliard Lyons (December 2011 – present).⁴⁹ He was also associated with non-FINRA member AIR3 Holdings (January 2009 – November 2009).⁵⁰

In his capacity, Rorke supervises 13 individuals.⁵¹ He also devotes a small amount of time, *e.g.*, five hours a month with one hour during trading hours, to outside business activities as an investor in the Ceres Venture Capital Fund and Chicago Blue Experience, LLC, a Chicago business that is developing a blues-themed cultural attraction.⁵² Rorke has no disciplinary history or customer complaints or arbitrations.⁵³

B. Alternate Supervisor

Bond has worked in the securities industry since 1994. He started his career in the industry, working in a non-registered capacity in the operations division of Raffensperger Hughes & Co., a former FINRA member, for one year from February 1994 to February 1995.⁵⁴ Later, he was an associate for Oxford Financial Advisors, a SEC-registered investment adviser, from February 1995 to July 1996.⁵⁵ He joined Hilliard Lyons in July 1996.⁵⁶ He qualified as a General Securities Representative (Series 7) in October 1996 and as a Municipal Securities Principal (Series 53) in November 2000.⁵⁷ He also passed the requisite Uniform Securities Agent State Law Examination (Series 63) in October 1996.⁵⁸ Bond has no outside business activities and no disciplinary history or customer complaints or arbitrations.⁵⁹

⁴⁹ Attachment 11, *supra* note 40; Attachment 12, *supra* note 41, at p. 6.

⁵⁰ *Id.*

⁵¹ Attachment 1, *supra* note 1, at p. 254.

⁵² Attachment 12, *supra* note 41, at p. 10.

⁵³ *Id.* at p. 14.

⁵⁴ CRD Snapshot of Conway Robert Bond at p. 5 (attached as Attachment 14).

⁵⁵ *Id.*

⁵⁶ *Id.*

⁵⁷ *Id.* at p. 6.

⁵⁸ *Id.*

⁵⁹ *Id.* at pp. 6 and 9.

C. Second Alternate Supervisor

Huettner has worked in the securities industry since 1992. He started his career in a non-registered capacity as an assistant to a stockbroker for a brief period.⁶⁰ Thereafter, he was associated with the following firms in registered capacities: Fidelity Equity Services Corporation, from October to December 1993; Hilliard Lyons, from May 1994 to December 1996; Planned Investment Co., Inc., from May 1997 to December 1999; Charles Schwab & Co., Inc., from December 1999 to July 2001; and Hilliard Lyons, from June 2002 to the present.⁶¹ He qualified as a General Securities Representative (Series 7) in November 1993 and as a Municipal Securities Principal (Series 53) in August 2013.⁶² He also passed the requisite Uniform Securities Agent State Law Examination (Series 63) in December 1993.⁶³ Since 1998, Huettner has worked as a retail sales person at a sporting goods store in Indianapolis; he does not devote any time during the workweek to this endeavor.⁶⁴

IV. Supervisory Plan

Hilliard Lyons has consented to the following plan of heightened supervision:⁶⁵

Supervisory Plan **(SD-2040)**

1. The written supervisory procedures for J.J.B. Hilliard, W.L. Lyons, LLC (“Hilliard Lyons” or “the Firm”) will be amended to state that Alexander Rorke (“Rorke”) (CRD # 1372205) is the direct supervisor for Randy G. Ruhl (“Ruhl”) (CRD # 1864539). Rorke is a resident at the Firm’s home office located at 500 W. Jefferson, Louisville, KY.
2. At times when Rorke is not readily accessible, Conway Robert Bond (“Bond”) (CRD # 2464731) will act as Ruhl’s interim direct supervisor. Bond is a resident in both the Indianapolis, Indiana and Denver, Colorado branch offices of the Firm.

⁶⁰ CRD Snapshot of Huettner at p. 8 (attached as Attachment 15).

⁶¹ *Id.* at pp. 4-6.

⁶² *Id.* at p. 10.

⁶³ *Id.*

⁶⁴ *Id.* at p. 9.

⁶⁵ The supervisory plan has been updated to the format of this notice; however, its substance has not been altered.

3. If neither Rorke nor Bond is available, Matthew Huettnner ("Huettnner") (CRD # 2420245), who is located in the Indianapolis, Indiana office, will act as Ruhl's second interim supervisor.
4. Ruhl will be permitted to work from the Firm's OSJ branch office located at 10 W. Market Street, Suite 2450, Indianapolis, Indiana 46204, where he will be responsible for developing new business contacts and the banking origination of municipal financings. The nature of his responsibilities entails frequent travel and meetings outside the office.
5. *Ruhl must disclose to Rorke, on a monthly basis, details related to his outside meetings. The disclosure must contain an appointment log with the date, time, topic(s) that were addressed and the location of all of Ruhl's outside client appointments. These materials will be copied and maintained in a segregated file for ease of review during a statutory disqualification or other examination.
6. *Ruhl will not act in any supervisory capacity. He will neither have the responsibility, ability or authority to affect the conduct of associated persons of the Firm, nor will he be involved in the management of the Firm.
7. *Ruhl will not open or service any brokerage trading accounts, including but not limited to, discretionary accounts other than for himself and his spouse.
8. *Ruhl will not participate in any offering of a penny stock, including: acting as a promoter, finder, consultant, agent or other person who engages in activities with a broker, dealer or issuer for purposes of the issuance or trading in any penny stock, including inducing or attempting to induce the purchase or sale of any penny stock.
9. *In addition to the frequent contact that Rorke expects to have with Ruhl via phone and email and during the time Rorke visits the Indianapolis office, Rorke will have a formal meeting in person with Ruhl no less frequently than monthly to discuss his activities and any issues that may have been identified through Rorke's ongoing review of Ruhl's activities. Rorke will maintain a written record of such meetings, which will include a description of the matters discussed. Records of such meetings will be maintained in a segregated file for ease of review during a statutory disqualification or other examination.
10. *At least once every two weeks, Rorke, Bond, and Heuttner shall meet, either in person or via teleconference, to discuss the heightened supervisory plan and any and all related issues, including but not limited to, Ruhl's performance under the plan. Rorke shall maintain a written record of these meetings and maintain such records in a segregated file for ease of review during a statutory disqualification or other examination.

11. *Prior to the pricing of any senior managed underwriting for which Ruhl is the lead banker, Rorke will: i) review the Bond Purchase Agreement (“BPA”) and its expense-related supporting documents; ii) ensure that the BPA and/or its supporting documents include a description of all expenses that are well defined, documentable and in compliance with applicable regulations and rules; and iii) confirm that the Firm’s Municipal Underwriting desk has documented that the filings by the proposed issuer with Electronic Municipal Market Access (EMMA) have been reviewed and, based on that review, there is a reasonable basis for believing that the representations by the issuer in the Official Statement for the offering are accurate, continuing disclosure undertakings have been adhered to, and the offering document is complete in all material respects. Rorke will evidence his reviews in writing. Records of Rorke’s reviews will be maintained in a segregated file for ease of review during a statutory disqualification or other examination.
12. *Except in cases where pre-approval is impracticable, in which case notice shall be given on the next business day, Ruhl shall obtain Rorke’s pre-approval for any out of pocket expenses Ruhl intends to be reimbursed from a financing prior to the expense being incurred. Rorke will review and approve all invoices prepared by Ruhl before they are sent to a Firm client. Rorke will review and approve all expense reports submitted by Ruhl for reimbursement. This approval process will include examining the expenses in light of what is authorized by the BPA.
13. *Ruhl’s incoming non-electronic written correspondence will be opened by the Indianapolis, Indiana, office manager on no less than a weekly basis, and will either be scanned and sent electronically or sent via overnight courier to Rorke on no less than a weekly basis. Ruhl’s outgoing non-electronic written correspondence and institutional communications will be reviewed by Rorke prior to sending. Rorke will address any concerns to Ruhl. Rorke will maintain a record of any concerns he notes from his review in a segregated file for ease of review during a statutory disqualification or other examination.
14. *Rorke will review, prior to sending, the response to a request for proposal by a municipal securities issuer for which Ruhl has the lead role. Rorke will receive copies of all of Ruhl’s incoming and outgoing email correspondence. Rorke will review at least twenty percent of Ruhl’s emails no less frequently than weekly. Rorke will address any concerns to Ruhl. Rorke will maintain a record of any concerns he notes from his review in a segregated file for ease of review during a statutory disqualification or other examination.
15. Ruhl will only be allowed to use a Firm email address for business purposes, with all email monitored through the Bloomberg Vault Compliance Console. In the event that Ruhl receives a business-related email message in a personal account, he will immediately forward that message to both his and Rorke’s Firm email addresses.

16. Any complaints received by the Firm about Ruhl will be immediately referred to both Rorke and the Firm's Chief Compliance Officer ("CCO") for their review. Rorke will prepare a memorandum to the file detailing the investigative steps taken and the resolution of the matters. Documents pertaining to any complaint against Ruhl will be kept in a separate file for ease of review during a statutory disqualification or other examination.
17. *Ruhl shall complete continuing education each year addressing municipal securities regulations. Ruhl shall certify annually to Rorke that he has completed such continuing education. Rorke will validate the contents of the continuing education taken by Ruhl to ensure that it addresses municipal securities regulations. Records of Ruhl's continuing education and certification will be maintained in a segregated file for ease of review during a statutory disqualification or other examination.
18. *Ruhl shall undertake training, annually, regarding the Firm's policies and procedures with respect to Rule 206(4)-5, under the Investment Advisers Act, 17 C.F.R. § 275.206(4)-5, and will certify annually to Rorke that he has completed such training and has complied with those policies and procedures. Rorke will certify that, to the best of his knowledge, Ruhl has complied with those policies and procedures. Records of the certifications will be maintained in a segregated file for ease of review during any examination of the Firm.
19. *Rorke will certify quarterly to the Firm's CCO that he and Ruhl are in compliance with all of the conditions of the heightened supervision plan. Ruhl will certify quarterly to the Firm's CCO that he is in compliance with all of the conditions of the heightened supervision plan.
20. *The Firm will not make any material changes to this heightened supervision plan for Ruhl without the prior approval of Member Regulation.⁶⁶

V. Discussion

In evaluating the Application, FINRA applied the principles articulated in *Paul Edward Van Dusen*, 47 S.E.C. 668 (1981) and *Arthur H. Ross*, 50 S.E.C. 1082 (1992). These cases provide that in circumstances where the SEC has already addressed the misconduct through an administrative process, and where the time period specified in the SEC's order has elapsed, "in the absence of new information reflecting adversely on [the individual's] ability to function in his proposed employment in a manner consonant with the public interest, it is inconsistent with the remedial purposes of the Exchange Act and unfair" to deny an application for reentry. *Van Dusen*, 47 S.E.C. at 671. While the Commission was unequivocal in its finding that an application for re-entry ought not be denied in the absence of new information that adversely bears on the individual's

⁶⁶ Executed consent letter to supervisory plan (attached as Attachment 16). The asterisks denote heightened supervisory conditions that are not generally applicable to other representatives of the Firm.

proposed association, it cautioned that the legal standards articulated in *Van Dusen* “does not mean that re-entry is to be granted automatically[.]” *Id.* at 671. Factors to consider in an application for reentry include “[O]ther misconduct in which the applicant may have engaged, the nature and disciplinary history of a prospective employer, and the supervision to be accorded the applicant[.]” *Id.* In applying the standards articulated in *Van Dusen* and *Ross*, FINRA has determined that the Application should be approved.

Although the Order involved serious misconduct by Ruhl and his former employer, City Securities, the Commission allowed Ruhl the right to reapply for reentry into the securities industry – in a non-supervisory capacity – after one year, which has elapsed. Consistent with the Order, Ruhl has applied to work as Municipal Securities Representative. He is not seeking to associate with the Firm as a principal, and will not have any supervisory responsibilities, as demonstrated by the heightened supervisory plan. As such, FINRA is only approving Ruhl to conduct business in a non-supervisory capacity in compliance with the Order. FINRA is not aware of any information that would reflect adversely on Ruhl’s ability to function in the proposed capacity with Hilliard Lyons. Since the imposition of the Order, Ruhl has complied with the sanctions, including paying the fine, disgorgement and prejudgment interest, and selling his stock in City Securities’ parent company, City Financial Corporation, in order to completely dissociate himself from his prior employer.⁶⁷ Moreover, FINRA evaluated Ruhl’s regulatory history and found that, other than the SEC’s Order and Indiana’s related action, it is free of disciplinary actions and customer complaints or arbitrations. Thus, it would be inconsistent with the remedial purposes of the Exchange Act to deny Ruhl’s reentry into the securities industry absent information that would bear negatively upon his association with Hilliard Lyons.

In accordance with *Van Dusen* and *Ross*, FINRA also considered Hilliard Lyons’ disciplinary history and the supervision to be afforded Ruhl. Hilliard Lyons has had seven disciplinary actions in the past five years; however, the findings do not call into question the Firm’s ability to supervise its registered representatives, and the Firm has taken corrective measures to address the violations cited in the AWCs. Hilliard Lyons also proposed a comprehensive, heightened supervisory plan tailored to Ruhl’s business that includes conditions designed to prevent Ruhl from engaging in similar misconduct. While Ruhl’s primary supervisor, Rorke, is located offsite, he will visit Ruhl’s office no less than once a month to conduct a formal meeting with Ruhl. These monthly visits will be in addition to other visits during the month that Rorke performs as part of his supervisory responsibilities for other individuals located in the same office as Ruhl. Moreover, two other alternative supervisors, Bond and Huettner, work in the same office as Ruhl and will be able to provide onsite assistance when necessary.

As it pertains to the suitability of Rorke, Bond and Huettner as supervisors, all are qualified, have sufficient experience and clean regulatory histories. As Municipal Securities Principals, they are qualified to supervise Ruhl’s activities. Rorke has been registered as a principal since 2001, and Bond and Huettner since 2000 and 2013,

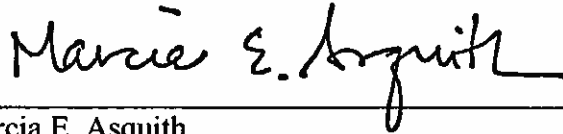
⁶⁷ Attachment 1, *supra* note 1, at pp. 275-76.

respectively. They have unblemished regulatory histories free of disciplinary actions, customer complaints and arbitrations. Thus, FINRA believes that Hilliard Lyons and the supervisors are capable of supervising Ruhl pursuant to the heightened supervisory plan.

FINRA certifies that Hilliard Lyons meets all applicable requirements for Ruhl's association with the Firm. Hilliard Lyons represents that it is a member of the MSRB, NYSE, Nasdaq Stock Market and NYSE MKT LLC, which have concurred; Ruhl, Rorke, Bond and Huettner are not related by blood or marriage; and that the Firm does not employ any other individuals who are subject to statutory disqualification.⁶⁸

Accordingly, we follow the Commission's instructions in *Van Dusen* and *Ross* and approve Hilliard Lyons' Application to employ Ruhl as a Municipal Securities Representative, subject to the above-motivated heightened supervisory procedures. The association of Ruhl as a Municipal Securities Representative with the Firm will become effective upon the issuance of an order by the Commission that it will not institute proceedings pursuant to Section 15(b) of the Exchange Act and that it will not direct otherwise pursuant to Exchange Act Section 15A(g)(2). FINRA is also seeking relief under Exchange Act Section 19(h). This notice shall serve as an application for such an order.

On Behalf of the Financial Industry Regulatory Authority,



Marcia E. Asquith
Senior Vice President and Corporate Secretary

⁶⁸ *Id.* at pp. 253-54.