

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
OFFICE OF HEARING OFFICERS**

Department of Enforcement,

Complainant,

v.

**Harry Ward Hunt
CRD No. 1144385),**

Respondent.

Disciplinary Proceeding No. 2010020803402

COMPLAINT

The Department of Enforcement alleges:

SUMMARY

1. Between June 1, 2009 and May 31, 2010, Harry Ward Hunt violated NASD Conduct Rule 2310 and FINRA Rule 2010 by engaging in excessive and quantitatively unsuitable trading in the brokerage accounts of four customers of Oak Ridge Financial Services, Inc. During that time, annualized turnover rates in these accounts ranged from 4.5 to 12, and their annualized cost-to-equity ratios ranged from 27% to 72%. The four customers paid a total of approximately \$66,000 in commissions as a result of Hunt's excessive and unsuitable trading.

2. Hunt traded in the accounts of the four customers using discretionary authority without written authorization from the customers, and in violation of Oak Ridge's policy prohibiting discretionary trading. By conducting discretionary trading in nondiscretionary accounts, Hunt violated NASD Conduct Rule 2510(b) and FINRA Rule 2010.

3. On two occasions during 2010, Hunt willfully failed to disclose an outstanding judgment against him on his Form U4, in violation of FINRA By-Laws, Article V, Section 2, and FINRA Rule 2010.

RESPONDENT AND JURISDICTION

4. Hunt entered the securities industry in March 1983. From April 22, 2009 through the present, Hunt has been associated with Oak Ridge, a FINRA broker-dealer, as a sales representative. Hunt is registered with FINRA as a general-securities representative.

FIRST CAUSE OF ACTION

NASD Conduct Rule 2310, IM-2310-2, and FINRA Rule 2010 Excessive Trading

5. The Department realleges and incorporates by reference paragraphs 1 through 4 above.

Customer DD

6. Customer DD opened a Roth IRA with Oak Ridge in October 2009. At that time, DD was 48 years old and the president of a car dealership. He had limited experience buying and selling stocks, a liquid net worth of between \$400,000 and \$999,999, and a moderate tolerance for risk. His investment objective was growth.

7. As of November 30, 2009, the value of DD's Oak Ridge account was \$54,497.

8. Between November 30, 2009 and May 28, 2010, Hunt, while exercising discretion over DD's account, recommended to DD approximately 92 securities transactions without having reasonable grounds for believing that such transactions were suitable for DD in view of the size and frequency of the transactions, the nature of the account, and DD's financial situation, investment objectives, and needs.

9. Hunt made the transactions referenced in paragraph 8 in DD's account without seeking or obtaining DD's prior approval. DD did not initiate any of the transactions.

10. The annualized turnover rate in DD's account between November 30, 2009 and May 28, 2010 was 4.92. The annualized cost-to-equity ratio during that time was 35.54%.

11. Between November 30, 2009 and May 31, 2010, DD paid a total of \$9,081 in commissions on the securities transactions that Hunt placed in his accounts. As of May 28, 2010, the net portfolio value of DD's Oak Ridge account was \$46,708.

Customer PM

12. In July 2009, customer PM opened an individual brokerage account with Oak Ridge. At that time, PM was a 38-year-old business owner with approximately 20 years of investment experience, a moderate-to-conservative risk profile, and a liquid net worth of less than \$100,000. His investment objectives were "growth" and "trading profits."

13. As of July 31, 2009, the net portfolio value of PM's Oak Ridge account was \$48,443.36.

14. Between July 31, 2009 and May 28, 2010, Hunt, while exercising discretion over PM's account, recommended approximately 180 securities transactions to PM without having reasonable grounds for believing that such transactions were suitable for PM in view of the size and frequency of the transactions, the nature of the account, and PM's financial situation, investment objectives, and needs.

15. Hunt made the transactions referenced in paragraph 14 without seeking or obtaining PM's prior approval. PM did not initiate any of those trades.

16. The annualized turnover rate in PM's account was 12.16 from August 2009 to May 31, 2010, and the annualized cost-to-equity ratio during that period was 72.01%.

17. Between July 31, 2009 and May 28, 2010, PM paid a total of \$23,392 in commissions on the securities transactions that Hunt placed in his accounts. As of May 28, 2010, the net portfolio value of PM's Oak Ridge account was \$30,854.

Customer JN

18. JN opened an Individual Retirement Account with Oak Ridge in June 2009. At that time, JN was a 51-year-old business owner with more than 20 years experience investing in stocks and mutual funds, a moderate tolerance for risk, and a liquid net worth of between \$200,000 and \$399,999. His investment objectives were growth and income.

19. As of October 30, 2009, the value of JN's Oak Ridge account was \$120,282.81.

20. Between October 30, 2009 and May 28, 2010, Hunt, while exercising discretion over JN's account, recommended approximately 147 securities transactions to JN without having reasonable grounds for believing that such transactions were suitable for JN in view of the size and frequency of the transactions, the nature of the account, and JN's financial situation, investment objectives, and needs.

21. Hunt made nearly all of the transactions referenced in paragraph 20 without seeking or obtaining JN's prior approval. When Hunt did contact JN with a recommendation, JN typically followed Hunt's "buy" recommendations and always followed his recommendations to sell.

22. The annualized turnover rate in JN's account was 5.20 from October 30, 2009 to May 28, 2010, and the cost-to-equity ratio during that period was 28.51%.

23. Between October 30, 2009 and May 28, 2010, JN paid a total of \$12,913 in commissions on the securities transactions that Hunt placed in his account. JN also transferred

\$50,000 out of his account. As of May 28, 2010, the net portfolio value of JN's Oak Ridge account was \$70,313.

Customer LR

24. In September 2009, customers LR and GR opened a joint brokerage account with Oak Ridge (the LR account). At that time, LR and GR were retired, they had a liquid net worth of \$200,000-\$399,999, and their investment objectives were growth and income. LR and GR were conservative investors.

25. As of September 30, 2009, the value of the LR account was \$119,204.

26. Between September 25, 2009 and May 28, 2010, Hunt, while exercising discretion over the LR account, recommended approximately 170 securities transactions to LR and GR without having reasonable grounds for believing that such transactions were suitable for LR and GR in view of the size and frequency of the transactions, the nature of the account, and LR's and GR's financial situation, investment objectives, and needs.

27. Hunt made nearly all of the transactions referenced in paragraph 26 without seeking or obtaining prior approval from LR or GR. When Hunt did contact them with a recommendation regarding a securities transaction, LR and GR followed all or nearly all of his recommendations.

28. Between September 25, 2009 and May 28, 2010, the turnover rate in the LR account was 4.56, and the cost-to-equity ratio was 27.89%.

29. Between September 25, 2009 and May 28, 2010, LR and GR paid a total of \$20,942 in commissions on the securities transactions that Hunt placed in the LR account. As of May 28, 2010, the net portfolio value of that account was \$103,063.

30. GR died in December 2010.

31. Through this conduct, Hunt violated NASD Conduct Rule 2310, IM-2310-2, and FINRA Rule 2010 by conducting excessive and unsuitable trading in accounts over which he exercised control.

SECOND CAUSE OF ACTION

NASD Conduct Rule 2510(b) and FINRA Rule 2010 Use of discretion without written authorization

32. The Department realleges and incorporates by reference paragraphs 1 through 31 above.

33. Hunt did not obtain written grants of discretionary authority from customers DD, PM, JN, LR, or GR at any time before May 31, 2010, and the firm never accepted any of those customers' accounts as discretionary.

34. Oak Ridge did not permit its representatives to exercise discretion in customer accounts at any time during 2010.

35. Nonetheless, between March 1, 2010 and May 31, 2010, Hunt exercised discretion over the accounts of DD, PM, JN, LR, and GR. During that time, Hunt placed approximately 589 trades in those accounts without first contacting the customers to obtain their approval for the transactions.

36. Through this conduct, Hunt violated NASD Conduct Rule 2510(b) and FINRA Rule 2010 by exercising discretion over customer accounts without prior written authorization.

THIRD CAUSE OF ACTION

FINRA By-Laws, Article V, Section 2 and FINRA Rule 2010 Failure to amend Form U4

37. The Department realleges and incorporates by reference paragraphs 1 through 36 above.

38. On June 18, 2009, a \$38,400.04 civil judgment was entered against Hunt and in favor of Lake Community Bank in Hennepin County, Minnesota.

39. On July 6, 2010, Hunt filed or caused to be filed a Form U4 with Oak Ridge.

40. At that time, Hunt knew that Lake Community Bank's judgment against him was unsatisfied.

41. Question 14M of the Form U4 asked, "Do you have any unsatisfied judgments or liens against you?"

42. Hunt answered "no" to Question 14M of the Form U4.

43. On August 16, 2010, Hunt filed or caused to be filed another Form U4 with Oak Ridge.

44. At that time, Hunt knew that Lake Community Bank's judgment against him was unsatisfied.

45. Question 14M of the Form U4 asked, "Do you have any unsatisfied judgments or liens against you?"

46. Hunt answered "no" to Question 14M of the Form U4.

47. Through this conduct, Hunt violated Article V, Section 2 of the FINRA By-Laws and FINRA Rule 2010 by willfully failing to disclose unsatisfied judgments against him.

RELIEF REQUESTED

WHEREFORE, the Department respectfully requests that the Panel:

A. make findings of fact and conclusions of law that Hunt committed the violations charged and alleged herein;

B. order that one or more of the sanctions provided under FINRA Rule 8310(a), including monetary sanctions, be imposed, including that Hunt be required to disgorge fully any and all ill-gotten gains and/or make full and complete restitution, together with interest;

C. order that Hunt) bear such costs of proceeding as are deemed fair and appropriate under the circumstances in accordance with FINRA Rule 8330;

D. make specific findings that Hunt's conduct, as alleged in the Third Cause of Action, was willful; the omitted information was material; and the omission to state material facts was on a Form U4 application.

FINRA DEPARTMENT OF ENFORCEMENT

Date: July 6, 2012
Kansas City, Missouri



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