

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2010022653601**

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

RE: Stephen Elliot Hill, Respondent
CRD No. 2202940

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Stephen Elliot Hill ("Respondent" or "Hill") submits 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 Respondent alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. Respondent hereby accepts and consents, 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 was born on [REDACTED] Hill has been registered with FINRA since December 1991. From February 2001 to September 2008, Hill was employed as a registered representative by NFP Securities, Inc. From September 2008 to April 2010, Hill was employed as a registered representative by Royal Alliance Associates, Inc. ("Royal Alliance" or the "Firm") at the Firm's branch office in Woodcliff Lake, New Jersey. Royal Alliance terminated Hill on April 21, 2010 for failing to follow firm procedures regarding the sale of unapproved products.

Hill has no relevant disciplinary history.

FACTS AND VIOLATIVE CONDUCT

Respondent violated NASD Rules 2330 and 2110 by improperly using \$1,800,000 in funds belonging to customer CF. Hill also violated NASD Rules 3040 and 2110 by engaging in a private securities transaction without prior notice to the Firm.

On September 10, 2008, Hill and his wife, LH, formed Gryphon-Hill, LLC ("Gryphon-Hill"). Hill formed Gryphon-Hill to serve as an investment vehicle for investments in Snap-on Smile, Inc., a manufacturer and distributor of a dental prosthesis that snaps over a patient's natural teeth.

On October 3, 2008, Hill solicited customer CF to invest in Snap-on Smile, Inc. Customer CF agreed to this investment and Hill accordingly caused the transfer of \$103,000 from customer CF's account at Royal Alliance to SOS OPCO, LLC ("SOS") an affiliate of Snap-on Smile, Inc. Within hours of this transfer, Hill caused the transfer of an additional \$220,000 from customer CF's account at Royal Alliance to SOS. Later that day, Hill caused the transfer of an additional \$1,477,000 from customer CF's account at Royal Alliance to SOS.

Following these transactions, and unbeknownst to customer CF, Gryphon-Hill and SOS executed a "secured promissory note" dated October 3, 2008. Gryphon-Hill financed the note using \$1,800,000 of customer CF's funds plus \$200,000 contributed by Hill and a third-party, for a total of \$2 million. Pursuant to the note, SOS agreed to pay Gryphon-Hill, not customer CF, "interest at a rate per annum equal to twenty percent (20%) on the aggregate unpaid principal balance."

Hill did not inform Royal Alliance in writing of the foregoing transactions and investments. Hill's conduct constitutes separate and distinct violations of NASD Rules 2330, 3040 and 2110.

OTHER FACTORS

B. Respondent consents to a bar from associating with any FINRA member in any capacity.

Respondent understands that if he is barred or suspended from associating with any FINRA member, he becomes subject to a statutory disqualification as that term is defined in Section 3(a)(39) of the Securities Exchange Act of 1934, as amended. Accordingly, Respondent 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. Pursuant to FINRA Rule 8313, a bar or expulsion shall become effective upon approval or acceptance of this AWC.

II.

WAIVER OF PROCEDURAL RIGHTS

Respondent specifically and voluntarily waives the following rights granted under FINRA's Code of Procedure:

- A. To have a Formal Complaint issued specifying the allegations against him;
- B. To be notified of the Formal 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, Respondent specifically and voluntarily waives any right to claim bias or prejudgment of the General Counsel, 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.

Respondent further specifically and voluntarily waives 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

Respondent understands 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 him; and
- C. If accepted:

1. This AWC will become part of Respondent's permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against Respondent;
2. This AWC will be made available through FINRA's public disclosure program in response to public inquiries about Respondent's disciplinary record;
3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with FINRA Rule 8313; and
4. Respondent 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. Respondent 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 Respondent's right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.

Respondent certifies that he has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that he has 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 him to submit it.

Date

9/23/11

Stephen Elliot Hill, Respondent

Accepted by FINRA:

Date

11-17-11

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

James E. Day

Associate Vice President and Chief Counsel
FINRA Department of Enforcement
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