

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20120324968**

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

RE: Hugh Monroe Dyson, Jr., Respondent
General Securities Representative
CRD No. 827628

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Hugh Monroe Dyson, Jr. ("Dyson" or "Respondent") 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 alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. Dyson 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

Dyson entered the securities industry in June 1976. Since that date, Dyson has been registered as a general securities representative and general securities principal with seven FINRA member firms.

In 1993, Dyson joined Olde Discount Corporation ("Olde"), a broker-dealer that merged with H&R Block Financial Advisors ("H&R Block") in 1999. After this merger, Dyson continued his employment as a H&R Block registered representative. Thereafter, in 2008, H&R Block was acquired by Ameriprise Financial Services, Inc. ("Ameriprise" or "the Firm"). Dyson continued working as an Ameriprise registered representative until the Firm terminated his employment on April 19, 2012. Since such date, Dyson has not been employed in the securities industry.

On or about May 11, 2012, the Firm filed a Form U-5, reporting that Ameriprise had terminated Dyson's employment, based upon his "misappropriating funds by offering a fraudulent investment outside the Firm". FINRA retains jurisdiction over Dyson pursuant to Article V, Section 4 of the FINRA Bylaws.

RELEVANT DISCIPLINARY HISTORY

In August 1994, Dyson was the subject of a NYSE disciplinary action, in which Dyson consented to a penalty of a censure and two-month suspension from membership, allied membership, approved person status, or employment association in any capacity with a member or member organization, based upon findings that he engaged in unauthorized customer trades, and made misrepresentations to one or more customers.

OVERVIEW

During the period from 1992 through 2011 ("Relevant Period"), Dyson solicited and accepted at least \$740,000 in funds from seven individuals, for the purpose of investing Keyport Oil ("Keyport"), a purported oil and natural gas business, solely-owned by Dyson. These individuals were all current or former securities customers of Dyson whose accounts he handled at one or more of his FINRA member employers (the "Investors"). Although Dyson represented to the Investors that he would invest their funds into an oil and gas extraction enterprise, Dyson failed to do so. Instead Dyson used the funds to pay quarterly "distributions" to Investors, and also converted some of the funds for his own benefit. Dyson also falsely represented that these distributions represented income received from Keyport's sale of oil and gas.

Dyson's conduct constituted improper use of client funds and conversion, in violation of NASD Rules 2330 and 2110, and FINRA Rules 2150 and 2010 (as to conduct on and after December 14, 2009). Dyson's misrepresentations regarding the source of distributions paid to Investors constitute violations of Section 10(b) of the Securities and Exchange Act of 1934, SEC Rule 10b-5, NASD Rules 2120 and 2110, and FINRA Rules 2020 and 2010 (as to conduct on or after December 15, 2008). Dyson also violated NASD Rule 2110 through his creation of falsified ownership certificates and IRS forms that he provided to at least two of the Investors.

FACTS AND VIOLATIVE CONDUCT

Conversion/ Improper Use of Customer Funds

In 1992, Dyson formed Keyport as a DBA entity registered in North Carolina. Keyport's ostensible business was oil and natural gas extraction in Pennsylvania and New York. During the Relevant Period, Dyson solicited the seven individuals described below to invest in Keyport, based upon Dyson's representation that the Investors' funds would be used for activities relating to oil and gas extraction.

Customer S was a former co-worker of Dyson's. Customer S and his wife together invested a total of more than \$350,000 in Keyport, while Dyson was employed at Olde, H&R Block and Ameriprise.

Customer C was also a former co-worker of Dyson's. Dyson had previously handled Customer C's securities account. Customer C invested approximately \$30,000 in Keyport, while Dyson was employed at Olde and H&R Block.

Dyson acquired Customer G and his wife as securities clients around 1994. Customer G and his wife together invested a total of \$300,000 in Keyport beginning in 2004, while Dyson was employed at H&R Block and Ameriprise.

Customer B was one of Dyson's customers at Olde. While Dyson was employed at H&R Block, Customer B invested a total of approximately \$60,000 in Keyport. Customer B is now deceased.

During the Relevant Period, the Investors collectively gave Dyson more than \$740,000 to invest in Keyport. Dyson deposited the funds he received from the Investors into one bank account that he opened under the name of Keyport Oil (the "Keyport Account"). Dyson was the only authorized signatory on the Keyport account.

Although Keyport's professed business was oil and natural gas exploration, Dyson never spent any of the Investors' funds towards this purpose. Dyson did not disclose this fact to any of the Investors.

When Dyson solicited the Investors to invest in Keyport, he represented that Keyport would pay quarterly distributions to the customers from revenues generated by Keyport's oil and natural gas activities. During the Relevant Period, Dyson wrote "distribution" checks to the Investors, drawn on the Keyport Account.

Dyson also wrote checks drawn on the Keyport Account for his personal expenses, such as his membership in a swim and racquet club and lease payments

for two personal vehicles. Dyson did not disclose this fact to any of the Investors.

At various times during the Relevant Period, Dyson deposited his personal funds into the Keyport Account, for the purpose of enabling Keyport to make its "distributions" to the Investors.

The funds from the Keyport Account paid out as "distributions" to the Investors were either received from the Investors themselves or from Dyson. Dyson did not disclose this fact to any of the Investors.

Based on the foregoing, Dyson violated NASD Rules 2330(a) and 2110, and FINRA Rules 2150(a) and 2010, by improperly using funds belonging to customers of his FINRA regulated employers.¹

Material Misrepresentations

During the Relevant Period, Dyson materially misrepresented the so-called "distributions" made to the Investors. For example, Dyson mailed a distribution check to Customer G with a cover letter dated February 29, 2012, wherein Dyson falsely described the enclosed funds as Keyport's distributable cash resulting from income earned from the sale of oil and gas.

As a result of the foregoing conduct, Dyson willfully violated Section 10(b) of the Securities Exchange Act of 1934, SEC Rule 10b-5, NASD Rules 2120 and 2110, and FINRA Rules 2020 and 2010.

Falsification of Documents

During the Relevant Period, Dyson created and distributed ownership "confirmations" to Customers S and G as proof of their investment in Keyport. These confirmations represented that each investor had purchased a specific percentage of the Keyport "limited partnership." These representations, however, were fictitious. The investors' funds were not used to purchase an interest in any limited partnership, and the investors' purported ownership bore no relationship to any real investments.

Dyson also created phony IRS Form K-1 reports ("the K-1 Reports") for Customers S and G, purportedly reflecting their Keyport distributions. Because Keyport had no tax identification number, Dyson created fictitious tax identification numbers for Keyport, and entered them on the K-1 Reports as Keyport's legitimate tax identification number.

¹ On December 14, 2009, FINRA Rule 2150(a) superseded NASD Rule 2330(a), however, the text of the rule remained the same.

Dyson violated NASD Rule 2110, based upon his creation and issuance of these falsified confirmations and K-1 Reports described above.

B. Dyson also consents to the imposition of the following sanctions:

Censure; a permanent bar from associating with any FINRA member in any capacity, and restitution to the Investors.

Pursuant to FINRA Rule 8313(c), a bar or expulsion shall become effective upon approval or acceptance of this AWC.

C. RESTITUTION

Restitution is ordered to be paid to the customer(s) listed on Attachment A hereto in the total amount of \$740,000, plus interest at the rate set forth in Section 6621(a)(2) of the Internal Revenue Code, 26 U.S.C. 6621(a)(2), from the date of the customer's purchase, until the date this AWC is accepted by the NAC.

Respondent Hugh Monroe Dyson, Jr. shall submit satisfactory proof of payment of restitution or of reasonable and documented efforts undertaken to effect restitution. Such proof shall be submitted to Adeline Liu, Esq., One World Financial Center, 200 Liberty, New York, New York 10281-1003, either by letter that identifies Hugh Dyson, Jr., Case # 20120324968, and includes a copy of the check, money order or other method of payment or by e-mail, with pdf copies of the payment documentation, to ~~adeline.liu@ny.frb.org~~. This proof shall be provided to the FINRA staff member listed above no later than 180 days after acceptance of the AWC.

If for any reason Respondent cannot locate any customer identified in Attachment A after reasonable and documented efforts within 180 days from the date the AWC is accepted, or such additional period agreed to by a FINRA staff member in writing, Respondent shall forward any undistributed restitution and interest to the appropriate escheat, unclaimed property or abandoned property fund for the state in which the customer is last known to have resided. Respondent shall provide satisfactory proof of such action to the FINRA staff member identified above and in the manner described above, within 14 days of forwarding the undistributed restitution and interest to the appropriate state authority.

Respondent has specifically and voluntarily waived any right to claim an inability to pay at any time hereafter the monetary sanction(s) imposed in this matter.

The imposition of a restitution order or any other monetary sanction herein, and the timing of such ordered payments, does not preclude customers from pursuing their own actions to obtain restitution or other remedies.

II.**WAIVER OF PROCEDURAL RIGHTS**

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

- A. To have a Complaint issued specifying the allegations against him;
- 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, Dyson 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.

Dyson 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**

Dyson 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 Dyson and

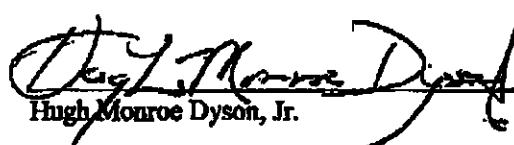
C. If accepted:

1. this AWC will become part of Dyson's permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against him;
2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about his 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. Dyson 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. Dyson 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 Dyson's right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.

Dyson 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.

OCTOBER 29, 2012

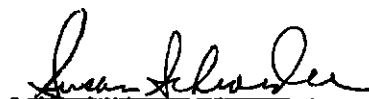
Date: October 29, 2012


Hugh Monroe Dyson, Jr.

Accepted by FINRA:

11/16/2012
Date

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



Susan Schroeder
Senior Vice President and Deputy Counsel
FINRA Department of Enforcement
One World Financial Center, 11th Floor
New York, New York 10281-1003
Tel: (646) 315-7466

Attachment A

<u>Amount of Restitution</u>	<u>Customer</u>
\$ 350,000	Customer S and spouse
\$ 30,000	Customer C and spouse
\$ 300,000	Customer G and spouse
\$ 60,000	Customer B