

**FINANCIAL INDUSTRY REGULATORY AUTHORITY  
LETTER OF ACCEPTANCE, WAIVER AND CONSENT  
NO. 2015044368901**

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

**RE:** Jeffrey C. Borneman  
Former Registered Representative  
CRD No. 1519729

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, I 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**

Jeffrey C. Borneman ("Borneman") first became registered as General Securities Representative (Series 7) with a FINRA member on September 19, 2000. Between September 2000 and January 2014, Borneman was registered with five different FINRA members. On January 7, 2014, he registered as a Series 7 with Cambridge Investment Research ("Cambridge" or the "Firm"). On February 4, 2015, Cambridge terminated Borneman's registration. From August 4, 2015 to October 15, 2015, Borneman was registered with another FINRA member. Borneman is not currently registered with any FINRA member firm. He has no relevant disciplinary history.

FINRA retains jurisdiction over Borneman pursuant to Article V, Section 4(a) of FINRA's By-Laws because the conduct that serves as the basis for this action commenced prior to Borneman's termination of registration from a FINRA member, and the AWC has been filed within two years after the effective date of his last termination of registration from a FINRA member.



## **OVERVIEW**

Borneman, while registered with Cambridge, owned and operated an LLC as an approved outside business activity. In March 2014, Borneman participated in a private securities transaction when he sold a five percent interest in his LLC to one of his brokerage customers for \$15,000. Borneman did not provide Cambridge with prior written notice of this private securities transaction. As a result of the foregoing, Borneman violated NASD Rule 3040 and FINRA Rule 2010.

## **FACTS AND VIOLATIVE CONDUCT**

NASD Rule 3040 prohibits an associated person from participating in any manner in a private securities transaction unless, prior to participating in the transaction, the associated person provides written notice to the member with which he is associated 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.

A private securities transaction is any transaction outside the course or scope of an associated person's employment with a member. The Rule applies whether or not a registered representative receives compensation.

In January 2014, Borneman formed an LLC that publicized general market and industry analysis. Cambridge approved the LLC as an outside business activity and the LLC was disclosed on Borneman's Form U4. In March 2014, Borneman sold a five percent interest in his LLC to a brokerage customer for \$15,000. The customer received a "stock certificate" in the LLC as part of the transaction, and considered the transaction to be an investment. Borneman failed to provide prior written notice of this sale to the Firm.

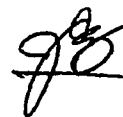
As a result of the foregoing, Borneman violated NASD Rule 3040 and FINRA Rule 2010.

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

- A 30-day suspension from association with any FINRA member in any capacity; and,
- A fine of \$5,000.

The fine shall be due and payable either immediately upon reassociation with a member firm following the thirty day suspension noted above, or prior to any application or request for relief from any statutory disqualification resulting from this or any other event or proceeding, whichever is earlier.

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 II, 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.

3-23-16  
Date

  
Jeffrey C. Borneman, Respondent

Accepted by FINRA:

4/22/16  
Date

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

  
James E. Day  
Vice President and Chief Counsel  
FINRA Department of Enforcement  
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