

STATE OF NEW JERSEY
DEPARTMENT OF BANKING AND INSURANCE

IN THE MATTER OF:

Proceedings by the Commissioner of)
Banking and Insurance, State of New)
Jersey, to fine, suspend and/or)
revoke the insurance producer) **FINAL ORDER**
licenses of Stephen E. Hill.)
Ref. No. 9142746.)

TO: Stephen E. Hill
46 Hidden Glen Road
Upper Saddle River, NJ 07458

This matter, having been opened by the Commissioner of Banking and Insurance ("Commissioner"), State of New Jersey, upon information that Stephen E. Hill ("Respondent") may have violated various provisions of the insurance laws of the State of New Jersey; and

WHEREAS, Respondent was licensed as a resident insurance producer pursuant to N.J.S.A. 17:22A-32 before his license expired on July 31, 2011; and

WHEREAS, Respondent is subject to the provisions of the New Jersey Insurance Producer Licensing Act ("Producer Act"), N.J.S.A. 17:22A-26, et seq.; and

WHEREAS, pursuant to N.J.S.A. 17:22A-40a(2), an insurance producer shall not violate any insurance law, regulation, subpoena or order of the Commissioner; and

WHEREAS, pursuant to N.J.S.A. 17:22A-40a(16), an insurance producer shall not commit any fraudulent act; and

WHEREAS, pursuant to N.J.S.A. 17:22A-40a(19), an insurance producer shall not fail to notify the Commissioner within 30 days of the final disposition of any formal disciplinary proceedings initiated against the insurance producer, or disciplinary action taken against the producer, by the Financial Industry Regulatory Authority ("FINRA"); and

WHEREAS, pursuant to N.J.S.A. 17:22A-47a, an insurance producer shall report to the Commissioner any administrative action taken against the insurance producer by another governmental agency in this State within 30 days of the final disposition of the matter; and

IT APPEARING that, Respondent was previously licensed as a resident individual insurance producer in the State of New Jersey until expiration on or about July 31, 2011; and

IT FURTHER APPEARING that, Respondent was formerly registered with the New Jersey Bureau of Securities (the "Bureau") as an agent and investment advisor representative with various firms; and

WHEREAS, on April 11, 2014, the Commissioner issued an Order to Show Cause, No. E14-36 alleging that Respondent violated various provisions of the New Jersey insurance laws as set forth in the following Counts:

COUNT 1

IT IS FURTHER APPEARING that, on November 30, 2010, the Bureau entered a Summary Order ("Summary Order") against Respondent making findings of fact, conclusions of law, revoking Respondent's agent and investment advisor representative registrations, and assessing Respondent a civil monetary penalty in the amount of \$210,000.00; and [Attached hereto as Exhibit "A" is a true and correct copy of the Summary Order]; and

IT FURTHER APPEARING that, the Summary Order made a finding of fact that, in or around 2007, Respondent provided to investors a Private Placement Memorandum, in connection with the sale of securities, that stated Respondent "received a Bachelor's Degree in Economics and Finance from the University of Buffalo in New York in 1987", when in fact Respondent did not graduate from college; and

IT FURTHER APPEARING that, the Summary Order made a finding of fact that, in or around April of 2006, Respondent through his limited liability company Crown Developers, LLC ("Crown"), solicited his client "CF"; to invest in the purchase and development of real estate property; and

IT FURTHER APPEARING that, the Summary Order made a finding of fact that Respondent set forth the terms of CF's investment in an agreement with Crown dated April 2006 which provided that:

"[a]t or prior to the end of the term, Crown shall remit to [CF] the principal investment of \$300,000.00 plus the greater of: (i) seventy-five thousand dollars (\$75,000.00); or (ii) eight percent (8%) of the net profit Crown shall have earned from Crown's sale of the Property after taking into account all of Crown's costs, disbursements and expenses including the payments made to [CF]..." The term of the investment was "the earlier of (i) eighteen (18) months from the date of the execution of this agreement, or (ii) the sale of the property."

IT FURTHER APPEARING that, the Summary Order made a finding of fact that, on or about May 3, 2007, Crown paid CF \$348,000.00, or \$27,000.00 short of the \$375,000.00 required by the agreement; and

IT FURTHER APPEARING that, the Summary Order made a finding of fact that, on or about May 3, 2007, Crown paid CF \$348,000.00 or \$27,000.00 short of the \$375,000.00 required by the agreement; and

IT FURTHER APPEARING that, the Summary Order made a finding of fact that, on or about September 10, 2008, Respondent and his wife Laurie Hill formed Gryphon-Hill, LLC ("Gryphon-Hill") as an investment vehicle for investments in Snap-on Smile, Inc. ("Snap-on"), a manufacturer and distributor of a dental prosthesis; and

IT FURTHER APPEARING that, the Summary Order made a finding of fact that, on or about October 3, 2008, Respondent solicited customer CF to invest \$103,000.00 in Snap-on; and

IT FURTHER APPEARING that, the Summary Order made a finding of fact that CF agreed to the investment and Respondent caused the authorized transfer of \$103,000.00 from CF's account with Royal Alliance Associates, Inc. ("Royal Alliance") to SOS OPCO, LLC ("SOS"), an affiliate of Snap-on; and

IT FURTHER APPEARING that, the Summary Order made a finding of fact that, Respondent later caused the unauthorized transfer of an additional \$220,000.00 from CF's account with Royal Alliance to SOS; and

IT FURTHER APPEARING that, the Summary Order made a finding of fact that, Respondent later caused the unauthorized transfer of an additional \$220,000.00 from CF's account with Royal Alliance to SOS; and

IT FURTHER APPEARING that, the Summary Order made a finding of fact that, Respondent further caused the unauthorized transfer of an additional \$1,477,000.00 from CF's account, and without CF's knowledge, Gryphon-Hill and SOS executed a "secured promissory note" dated October 3, 2008; and

IT FURTHER APPEARING that, the Summary Order made a finding of fact that, Gryphon-Hill financed the note using \$1,800,000.00 of CF's funds plus \$200,000.00 contributed by Hill and a third-party; and

IT FURTHER APPEARING that, the Summary Order made a finding of fact that, pursuant to the note, SOS agreed to pay Gryphon-Hill "interest at a rate per annum equal to twenty percent (20%)

on the aggregate unpaid principal balance"; and

IT FURTHER APPEARING that, these instances, where Respondent misrepresented to investors about his financial education background, defrauded CF of \$27,000.00 by selling him an investment with a guaranteed return of at least \$75,000.00 by only paying CF \$48,000.00, and defrauded CF by soliciting a \$103,000.00 investment from CF and using it, along with \$1,697,000.00 removed from CF's account without his knowledge or consent, to execute a secured promissory note to which CF would receive no benefit, constitutes violations of N.J.S.A. 17:22A-40a(2), N.J.S.A. 17:22A-40a(16); and

COUNT 2

IT FURTHER APPEARING that upon issuance of the Summary Order, Respondent did not report the action against him by the New Jersey Bureau of Securities within the time required by statute; and

IT FURTHER APPEARING that, this instance, where Respondent failed to report to the Commissioner the Summary Order entered against him by the New Jersey Bureau of Securities within 30 days, constitutes a violation of N.J.S.A. 17:22A-40a(2), and N.J.S.A. 17:22A-47a; and

COUNT 3

IT APPEARING that, in or around December 1991, Respondent registered with FINRA; and

IT FURTHER APPEARING that, on or about September 23, 2011, Respondent submitted a Letter of Acceptance, Waiver and Consent ("AWC") with FINRA; and

IT FURTHER APPEARING that, Respondent accepted and consented to the AWC, without admitting or denying the findings, to the entry of findings by FINRA relating to the authorized and unauthorized transfers from CF's account, and the subsequent use of the invested funds to execute the secured promissory note, for which Gryphon-Hill was the beneficiary; and

IT FURTHER APPEARING that, on or about November 17, 2011, FINRA permanently barred Respondent from working in the securities industry or associating with any FINRA member in any capacity; and

IT FURTHER APPEARING that, this instance, where Respondent failed to report to the Commissioner action taken against him by FINRA within 30 days, constitutes a violation of N.J.S.A. 17:22A-40a(2), (19), and N.J.S.A. 17:22A-47c; and

WHEREAS, as set forth in the Certification of Service of Anna M. Lascurain, Deputy Attorney General, attached hereto as Exhibit A, Respondent was given notice of the aforesaid charges and an opportunity to contest the charges at a hearing pursuant to Order to Show Cause No. E14-36, which was duly served by certified mail and regular mail to the addresses listed in the Order To Show Cause and this Final Order, in accordance with N.J.A.C. 11:17D-2.1a(3); and

IT FURTHER APPEARING that although due notice of the charges provided an opportunity to oppose the allegations, Respondent failed to provide a written response to the charges contained in Order to Show Cause No. E14-36 within 20 days as provided by N.J.A.C. 11:17D-2.1(b).

NOW, THEREFORE, IT IS on this 20TH day of August, 2014

ORDERED that the charges contained in Order to Show Cause No. E14-36 are deemed admitted by Respondent Hill, pursuant N.J.A.C. 11:17D-2.1(b); and

IT IS FURTHER ORDERED that, pursuant to N.J.S.A. 17:22A-40 and N.J.A.C. 11:17D-2.1(b)(2), the expired resident insurance producer license of Respondent Hill is REVOKED effective upon the execution of this Final Order by the Commissioner; and

IT IS FURTHER ORDERED that, pursuant to N.J.S.A. 17:22A-45c, Respondent shall pay civil penalties totaling \$5,000.00 to the Commissioner for the violations contained Count 2 of the Order to Show Cause No. E14-36; and

IT IS FURTHER ORDERED that pursuant to N.J.S.A. 17:22A-17B, N.J.S.A. 17:22A-45c and N.J.A.C. 11:1-32.4(b)20, and pursuant to the certification of Investigator Daxesh Patel attached hereto as Exhibit B, Respondent shall reimburse the Department \$300.00 for the costs associated with the investigation of this matter; and

IT IS FURTHER ORDERED that Respondent shall pay the above costs and fines in full by remitting payment to the Commissioner of Banking and Insurance, State of New Jersey, 20 West State Street, P.O. Box 325, Trenton, New Jersey 08625, Attention: Virgil Downtin, Chief of Investigations by certified check, cashier's check or money order made payable to the "State of New Jersey, General Treasury," within ten (10) days from the date of service of this Order; and

IT IS FURTHER ORDERED that in the event full payment of the costs and fines is not made, the Commissioner may exercise any and all remedies available by law, including but not limited to recovery of any unpaid penalties, in accordance with The Penalty Enforcement Law, N.J.S.A. 2A:58-10 et seq.; and

IT IS FURTHER ORDERED that the fines in this Final Order are imposed pursuant to the police powers of the State of New Jersey for the enforcement of the law and the protection of the public health, safety and welfare, and are not intended to constitute debts which may be limited or discharged in a bankruptcy proceeding; and

IT IS FURTHER ORDERED that the provisions of this Final Order represent a final agency decision and constitute a final resolution of the allegations contained in Order to Show Cause No. E14-36.



Peter L. Hartt
Acting Director of Insurance

EXHIBIT A

JOHN J. HOFFMAN
Acting Attorney General of New Jersey
Attorney for Department of Banking and Insurance
R.J. Hughes Justice Complex
25 Market Street, P.O. Box 117
Trenton, New Jersey 08625

By: Anna M. Lascurain
Deputy Attorney General
(609) 984-8469

STATE OF NEW JERSEY
DEPARTMENT OF BANKING AND INSURANCE

Proceedings by the Commissioner of Banking)	CERTIFICATION OF DEPUTY
and Insurance, State of New Jersey, to fine,)	ATTORNEY GENERAL
suspend, and/or revoke the insurance producer)	ANNA M. LASCURIAN
license of Stephen E. Hill, Ref. No. 9142746)	

I, Anna M. Lascurain, of full age, do of my own personal knowledge make the following statements by way of certification in lieu of affidavit pursuant to R. 1:4-4(b):

1. I am a Deputy Attorney General assigned as counsel for the New Jersey Department of Banking and Insurance ("Department") in the above matter. I submit this certification in support of the Department's request that a Final Order be entered against Stephen E. Hill ("Respondent"), and specifically, to establish that proper service of Order to Show Cause No. E14-36 was made upon Respondent.

2. The Commissioner of Banking and Insurance issued Order to Show Cause No. E14-36 on April 7, 2014.

3. By letter dated April 8, 2014, my office served a copy of Order to Show Cause No. E14-36 upon Respondent via regular and certified mail, return receipt requested at the following, last known home address for Respondent on file with the Department:

Stephen E. Hill
46 Hidden Glen Road
Upper Saddle River, NJ 07458

4. The certified mailing sent to Respondent was accepted by Responded and the signed return receipt returned to our office, while the regular mailing was not returned by the U.S. Post Office.

5. Pursuant to N.J.A.C. 11:17D-2.1(a)3, service of the Order to Show Cause in this manner constitutes lawful service upon Respondent.

6. The fact that the certified mail was returned as signed, and the fact that the regular mailing to Respondent was not returned creates a presumption that Respondent received a copy of Order to Show Cause No. E14-36, and constitutes further proof of lawful service upon him.

I certify that the foregoing statements made by me are true. I am aware that if any of the foregoing statements made by me are willfully false, I am subject to punishment.



Anna M. Lascurain
Deputy Attorney General

Dated: August 12, 2014

EXHIBIT B

JOHN J. HOFFMAN
Acting Attorney General of New Jersey
Attorney for Department of Banking and Insurance
P.O. Box 117
R.J. Hughes Justice Complex
25 Market Street
Trenton, New Jersey 08625

By: Anna M. Lascurain
Deputy Attorney General
(609) 984-8469

STATE OF NEW JERSEY
DEPARTMENT OF BANKING AND INSURANCE

Proceedings by the Commissioner of Banking)
and Insurance, State of New Jersey, to fine,) **CERTIFICATION**
suspend, and/or revoke the insurance producer) **OF COSTS**
licenses of Stephen E. Hill. Ref. No. 9142746.)

Daxesh M. Patel, of full age, does hereby certify as follows:

1. I am employed by the New Jersey Department of Banking and Insurance, Office of Consumer Protection Services ("Department") and hold the title of Investigator

2.

2. This certification is submitted in support of the Department's application for reimbursement of its costs of investigation and prosecution, in accordance with N.J.S.A. 17:22A-45(c).

3. On or about July 15, 2011, I was assigned the responsibility for conducting an investigation to determine whether Stephen E. Hill may have violated certain provisions of the New Jersey Insurance Producer Licensing Act of 2001, N.J.S.A. 17:22A-26, et seq., which investigation contributed to the issuance of an Order to Show Cause.

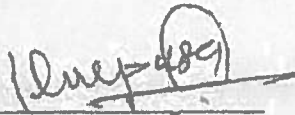
4. To determine the amount of time that I spent in the investigation and prosecution of this matter, I reviewed my files relative to this matter, including my time records. On the basis of this review I have prepared the schedule of costs attached hereto as Exhibit "A".

5. As this schedule reflects, I personally spent at least six hours investigating this matter.

6. Pursuant to N.J.A.C. 11:1-32.4(b)20, costs to the Department for the investigation and prosecution for violations of the New Jersey Insurance Producer Licensing Act are reimbursable at the rate of \$50.00 per hour, rounded to the nearest quarter hour.

7. I therefore request that the Department's costs of investigation be reimbursed in the amount of \$300.00.

I certify that the foregoing statements made by me are true. I am aware that if any of the foregoing statements are willfully false I am subject to punishment.



Daxesh M. Patel
Investigator 2

Dated: August 1, 2014



State of New Jersey
 DEPARTMENT OF BANKING AND INSURANCE
 CONSUMER PROTECTION SERVICES
 PO BOX 329
 TRENTON, NJ 08625-0329

CHRIS CHRISTIE
 Governor

KENNETH E. KOBYLOWSKI
 Acting Commissioner

Exhibit A

**RECORD OF TIME EXPENDED ON
 INVESTIGATION AND/OR PROSECUTION**

Re: Stephen E. Hill
 Department File No.:
 Investigator: Anil Patel

Date	Time in Hours	Phone	Case Prep	Comments
7/15/2011	1.00		X	File reviewed
6/22/2012	.25	X		Phone call to the Respondent
6/25/2012	.25	X		E-Mail correspondence with the Respondent
6/26/2012 to 10/1/2012	1.00	X		Phone calls with the Respondent(s)
6/27/2012	1.00		X	Prepared IR No. 1
10/19/2012	2.00		X	Prepared F & E
8/1/2014	.50		X	Prepared Cost of Investigation / Exhibit A
TOTAL: 6 Hours				
6 Hours @ \$50 per hour	= \$300.00			