

**STATE OF ILLINOIS
SECRETARY OF STATE
SECURITIES DEPARTMENT**

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IN THE MATTER OF: MICHAEL W. BRINTON)

FILE NO. 0700275

NOTICE OF HEARING

TO THE RESPONDENT: Michael W. Brinton (CRD#: 1565431)
1915 Brentwood Terrace
Nashville, Tennessee 37211

c/o Stifel, Nicolaus & Company, Incorporated
501 North Broadway
Saint Louis, Missouri 63102

You are hereby notified that pursuant to Section 11.F of the Illinois Securities Law of 1953 [815 ILCS 5] (the "Act") and 14 Ill. Adm. Code 130, Subpart K, a public hearing will be held at 69 West Washington Street, Suite 1220, Chicago, Illinois 60602, on the 31st day of October, 2007 at the hour of 10:00 a.m. or as soon as possible thereafter, before Soula Spyropoulos, Esq., or such other duly designated Hearing Officer of the Secretary of State.

Said hearing will be held to determine whether an Order shall be entered revoking Michael W. Brinton's (the "Respondent") registration as a salesperson in the State of Illinois and/or granting such other relief as may be authorized under the Act including but not limited to the imposition of a monetary fine in the maximum amount pursuant to Section 11.E(4) of the Act, payable within ten (10) business days of the entry of the Order.

The grounds for such proposed action are as follows:

1. That at all relevant times, the Respondent was registered with the Secretary of State as a salesperson in the State of Illinois pursuant to Section 8 of the Act.
2. That on April 26, 2007 an Exchange Hearing Panel of the New York Stock Exchange Inc. (NYSE) accepted a Stipulation of Facts and Consent to Penalty entered into between the Exchange's Division of Enforcement and the Respondent (Decision) in File No. 07-60 which imposed the following sanctions:
 - a. censure;

- b. \$10,000 fine; and
 - c. three-month suspension from membership, allied membership, approved person status, and from employment or association in any capacity with any member or member organization.
3. That the Decision listed the following background information:
- a. The Respondent was born in 1962. In 1986, he started his career in the securities industry at Firm A where he was hired as a registered representative. In 1988, he left and was hired at Firm B as a registered representative.
 - b. While the Respondent was employed at Firm B, he formed partnership with another registered representative at Firm B ("BRR").
 - c. In or about November 1998, the Respondent and BRR left Firm B and joined UBS Financial Services Inc. as RRs. At UBS, he continued his partnership with BRR and they developed a fee-based business servicing sophisticated, high net worth investors.
 - d. On September 23, 2005, UBS filed a Uniform Termination Notice for Securities Industry Registration ("Form U-5") reporting that on August 31, 2005, it terminated the Respondent and BRR's employment because Respondent and BRR had received compensation from a third-party hedge fund without the Firm's prior written approval.
 - e. The Respondent is currently employed at member Firm C as a registered representative.
 - f. By letter dated November 14, 2005, which the Respondent received, Enforcement notified him of its investigation into, among other things, the possibility that he engaged in outside business activities without the prior written approval of his member firm employer.
4. That the Decision found:

Summary of Violative Conduct

- a. The Respondent and BRR engaged in unapproved outside business activities when they facilitated the purchase of investments away from the Firm by soliciting UBS customers to invest in certain hedge funds managed by ABC,

that were not approved by UBS. The Respondent and BRR each received approximately \$66,485 in compensation from ABC after certain UBS customers invested in the ABC hedge funds. Respondent and BRR also made misstatements on their respective Annual Employee Certifications of Compliance relating to their outside business activities and the compensation they received from ABC. The Respondent and BRR also made misstatements to their branch office manager regarding their outside business activities with ABC.

Unapproved Outside Business Activity

- b. NYSE Rule 346(b) states that "without making a written request and receiving the prior written consent of his . . . member organization employer . . . no employee of a . . . member organization shall at any time be engaged in any other business; or be employed . . . by any other person; or serve as an officer, director . . . or employee of another business organization."
- c. The Respondent violated NYSE Rule 346(b) by engaging in an outside business activity with ABC, without prior written approval of his member firm employer. Further, the Respondent violated NYSE Rule 476(a)(6) by engaging in conduct inconsistent with just and equitable principals of trade when he facilitated the purchase of investments away from the Firm by UBS customers.
- d. In or about July 2001, the Respondent and BRR arranged for JO, a marketing consultant and subsequently a principal in ABC to meet with certain UBS customers concerning investments in hedge funds. UBS was unaware that the Respondent and BRR had arranged for JO to meet with UBS customers.
- e. Following this meeting, the Respondent and BRR solicited the UBS customers who met with JO, to invest in ABC hedge funds. A total of six UBS customers, invested a total of approximately \$9 million in the ABC hedge funds with funds transferred from their UBS accounts.
- f. These UBS customers did not have a prior relationship with ABC nor did they express interest in investing in ABC prior to being solicited by the Respondent and BRR.
- g. As a result of the customers' investments in ABC hedge funds, the Respondent received approximately \$18,965 in 2002 and approximately \$47,520 in 2003, in compensation from ABC. This compensation represented the Respondent's share of the

commissions from the investments made by the UBS customers.

- h. The Respondent reported the \$18,965 and \$47,520 that he received from ABC on his 2002 and 2003 Federal Tax Returns and indicated that the funds were income from his "Consulting" business.
- i. The Respondent did not have the Firm's approval to solicit UBS customers to invest in ABC hedge funds nor did he have the Firm's approval to engage in an outside business and/or receive compensation from ABC.

Misstatements to the Firm

- j. The Respondent violated NYSE Rule 476(a)(6) by engaging in conduct inconsistent with just and equitable principles of trade when he made material misstatements on his Annual Employee Certifications of Compliance ("Compliance Certification") and to his branch office manager.
- k. During the period of the Respondent's employment with the Firm, he electronically completed Compliance Certifications for the years 2002 and 2003.
- l. The Firm's 2002 and 2003 Compliance Certifications contained a section which, required employees to attest that they "...did not engage in any outside business; solicit any non-UBS sponsored product or investment" and "work for or receive compensation from, another business entity or person".
- m. On January 15, 2003, the Respondent made misstatements to the Firm by submitting an electronic Compliance Certification to the Firm certifying that did not engage in an outside business; or solicit any non-UBS product or investment; and that he did not receive compensation from another business entity during the previous year, which was untrue.
- n. On January 23, 2004, Brinton made additional misstatements to the Firm by submitting an electronic Compliance Certification to the Firm certifying that he did not engage in an outside business; or solicit any non-UBS product or investment; and that he did not receive compensation from another business entity during the previous year, which again was untrue.
- o. Further, the Respondent made misstatements to his branch

office manager when he stated that he was not soliciting certain UBS customers to invest in hedge funds managed by ABC.

- p. By virtue of the foregoing, the Respondent:
- i. Violated NYSE Rule 346(b) by engaging in an outside business activity and/or receiving compensation for such activities without the prior written consent of his member firm employer.
 - ii. violated NYSE Rule 476(a)(6) by engaging in conduct inconsistent with just and equitable principles of trade in that he:
 - (aa). Facilitated the purchase of investments away from the Firm by UBS customers without the approval of his member firm employer;
 - (bb). made material misstatements to his member firm employer on his annual compliance certifications; and
 - (cc). made material misstatements to his branch office manager regarding his outside business activity.
5. That Section 8.E(1)(j) of the Act provides, inter alia, that the registration of a salesperson may be revoked if the Secretary of State finds that such salesperson has been suspended by any self-regulatory organization registered under the Federal 1934 Act or the Federal 1974 Act arising from any fraudulent or deceptive act or a practice in violation of any rule, regulation or standard duly promulgated by the self-regulatory organization.
6. That the NYSE is a self-regulatory organization as specified in Section 8.E(1)(j) of the Act.
7. That by virtue of the foregoing, the Respondent's registration as a salesperson in the State of Illinois is subject to revocation pursuant to Section 8.E(1)(j) of the Act.

You are further notified that you are required pursuant to Section 130.1104 of the Rules and Regulations (14 ILL. Adm. Code 130) (the "Rules"), to file an answer to the allegations outlined above within thirty (30) days of the receipt of this Notice. A failure to file an answer within the prescribed time shall be construed as an admission of the allegations contained in the

Notice of Hearing

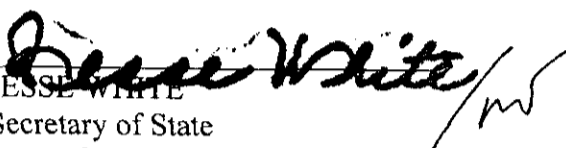
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Furthermore, you may be represented by legal counsel; may present evidence; may cross-examine witnesses and otherwise participate. A failure to so appear shall constitute default, unless any Respondent has upon due notice moved for and obtained a continuance.

A copy of the Rules, promulgated under the Act and pertaining to hearings held by the Office of the Secretary of State, Securities Department, is included with this Notice.

Delivery of Notice to the designated representative of any Respondent constitutes service upon such Respondent.

Dated: This 12th day of September, 2007.


JESSE WHITE
Secretary of State
State of Illinois

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