

**BEFORE THE DIRECTOR OF THE DEPARTMENT OF FINANCE
OF THE STATE OF IDAHO**

STATE OF IDAHO, Department of Finance,
Securities Bureau,

Complainant,

vs.

CODY CLINTON HILL,


Respondent.

Docket No. 2019-7-05-B

AGREEMENT AND ORDER

The Director of the Department of Finance, State of Idaho ("Director") has instituted an investigation into the conduct of Cody Clinton Hill ("Hill") to inquire into whether violations of the *Idaho Uniform Securities Act (2004)* ("Act"), *Idaho Code §30-14-101 et seq.* have occurred. In order to avoid the uncertainty and cost of litigation, and to promote a fair, just, and equitable resolution of this matter in the best interest of all, the Director and Hill have agreed to settle this matter without a public hearing. Therefore, the Director deems it appropriate and in the public interest that this Agreement and Order ("Order") be entered and the Respondent consents to the entry of this Order.


RESPONDENT

- 47  5/11/2020
1. **Cody Clinton Hill** is a ~~46~~ year-old male residing at 2390 West 2200 North, Lehi, Utah. Hill worked for Pinnacle Plus Wealth Management from December 26, 2017 through June 12, 2018. Pinnacle Plus Wealth Management is an investment adviser firm. Hill has been licensed with the Department of Insurance in Utah and Idaho since 2013. Hill received a Central Registration Depository ("CRD") number of 6288842 with the Financial Industry Regulatory Authority ("FINRA") in 2014, but never completed the steps to become registered as a broker-dealer representative. Hill registered as an investment advisor with the State of Utah in May 2017. Hill has never been registered to sell securities and as of November 15, 2017 he was no longer registered to provide investment advice.

BACKGROUND

2. 1st Global Capital, LLC dba 1st Global Capital LLC (“1st Global”) was incorporated in June 2013 in Florida and founded by Carl Ruderman. The entity was a commercial lender that offered short-term loans to small and medium sized businesses. 1st Global obtained the funds for these loans through the sales of securities in the form of notes entitled Memorandum of Indebtedness (“MOI”).
3. 1st Global claimed the investor proceeds from the MOI notes would be used for funding Merchant Cash Advance Transactions (“MCATs”) which is an alternative funding source for businesses outside of the banking industry.
4. The investments in MOI notes were advertised as being short-term loans yielding double-digit returns with a diversified risk profile. 1st Global claimed that investors historically received a return on investment in excess of 15%.
5. The MOI notes stated that the investor would receive 3% interest on the investment and the investor could receive additional interest based on the allocation to each MCAT and at 1st Global’s discretion. Investments would automatically roll into a new nine-month MOI note unless 1st Global received a written termination agreement from the investor no less than 30 days prior to the MOI note maturity.
6. If an investor elected to terminate their MOI at nine-months, the investor was required to wait for each of the MCATs in their account to unwind to receive repayment of their investment.
7. Investment funds received by 1st Global were commingled or pooled together and subsequently lent to MCAT borrowers. Investors would get a small fractionalized interest in hundreds of MCATs.
8. 1st Global, and its sister company 1st West Capital LLC, filed for chapter 11 bankruptcy on July 27, 2018.
9. On August 23, 2018, the Securities and Exchange Commission (“SEC”) filed a complaint against 1st Global and its affiliates alleging that Carl Ruderman, owner of 1st Global, conducted a nationwide fraud scheme that raised over \$287 million from over 3,400 investors. The SEC’s

complaint alleged that 1st Global's financial records were missing approximately \$50 million of investor funds due to the misappropriation and improper use of the funds.

10. The SEC alleged that 1st Global issued unregistered securities in the form of notes, paid unregistered agents to sell the investments, used investor funds for purposes other than cash advances, and made numerous material misrepresentations and omissions to investors.
11. At no time were 1st Global's MOI notes registered as securities in Idaho nor did they qualify for an exemption.
12. Hill solicited and sold MOI notes, as an agent of 1st Global, to Idaho residents CJ & KJ. CJ & KJ invested \$114,790, in approximately March 2018, and Hill received a commission of \$2,582.78 from this sale.
13. At the time of the above transaction, Hill was not registered to sell securities in Idaho, nor did he qualify for an exemption.

FINDINGS OF VIOLATIONS

OFFER & SALE OF UNREGISTERED SECURITIES

14. Investments in notes are "securities" as defined by *Idaho Code §30-14-102(28)*.
15. Pursuant to *Idaho Code §30-14-301*, it is unlawful for a person to offer or sell a security in this state unless: (a) The security is a federal covered security; (b) The security, transaction or offer is exempted from registration under sections 30-14-201 through 30-14-203, Idaho Code; or (c) The security is registered under this chapter.
16. Hill sold securities in the form of notes. The securities were not registered, nor did they qualify for a registration exemption at the time they were sold, in violation of *Idaho Code §30-14-301*.

OFFER & SALE OF SECURITIES BY AN UNREGISTERED AGENT

17. *Idaho Code §30-14-102(2)* defines an "agent" as an individual, other than a broker-dealer, who represents a broker-dealer in effecting or attempting to effect purchases or sales of securities or

who represents an issuer in effecting or attempting to effect purchases or sales of the issuer's securities.

18. Pursuant to *Idaho Code §30-14-402*, it is unlawful for an individual to transact business in this state as an agent unless the individual is registered under this chapter as an agent or is exempt from registration as an agent under subsection (b) of this section.
19. Hill offered and sold 1st Global MOI notes to Idaho residents. Hill was not registered to sell securities, nor did he qualify for a registration exemption at the time the securities were sold, in violation of *Idaho Code §30-14-402*.

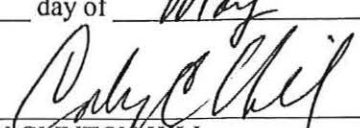
ACKNOWLEDGEMENT AND REMEDIES

20. In order to avoid the uncertainty and cost of litigation, and to promote a fair, just, and equitable resolution of this matter in the best interest of all, the parties agree to entry of this Order in lieu of other proceedings.
21. Hill neither admits nor denies the Complainant's findings of facts and conclusions of law set forth in this Order.
22. Hill hereby waives any rights he may have to notice and opportunity for hearing on this matter.
23. Hill agrees to pay restitution in the amount of two thousand five hundred eighty-two dollars and seventy-eight cents (\$2,582.78). Said restitution is to be paid not later than thirty (30) days from the date the Director executes this Order. Payment shall be made to the "Idaho Department of Finance."
24. Without admitting or denying violations of the Act, Hill agrees to pay a civil penalty in the amount of one thousand dollars (\$1,000) pursuant to *Idaho Code §30-14-604(d)*. Said civil penalty is to be paid not later than thirty (30) days from the date the Director executes this Order. Payment shall be made to the "Idaho Department of Finance."
25. Hill agrees to not now, nor in the future, offer or sell securities in, into, or from Idaho without complying with the requirements of the Act and its rules.

26. Hill agrees to not claim the availability of, use, or offer or sell securities under any exemptions under the Act without giving written notice to the Director. Said written notice shall be provided at least 10 (ten) days in advance of the proposed activities in Idaho.

27. In the event that Hill commits future violations of the Act or fails to adhere to the terms of this Order, Hill acknowledges that the Idaho Department of Finance can incorporate the allegations giving rise to this Order in any future proceeding.

AGREED TO and ACKNOWLEDGED this 11 day of May, 2020.



CODY CLINTON HILL

IT IS SO ORDERED

DATED this 13th day of May, 2020.

STATE OF IDAHO
DEPARTMENT OF FINANCE



PATRICIA R. PERKINS, Director of Finance

