

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

IN THE MATTER OF: HESSE, ERIC)
_____))

FILE NO. C1500350

CONSENT ORDER

TO THE RESPONDENT: Eric Hesse (CRD# 5500897)
4536 N. Sheridan Rd.
Unit Loft
Chicago, Illinois 60640

WHEREAS, Respondent on the 25th day of April 2019 executed a certain Stipulation to Enter Consent Order (the "Stipulation"), which hereby is incorporated by reference herein.

WHEREAS, by means of the Stipulation, Respondent have admitted to the jurisdiction of the Secretary of State and service of the Notice of Hearing of the Secretary of State, Securities Department, dated October 11, 2018 in this proceeding (the " Notice") and Respondent has consented to the entry of this Consent Order "Consent Order").

WHEREAS, Respondents filed an Answer on or about November 16, 2018 in which they denied the substantive allegations of the Notice of Hearing.

WHEREAS, by means of the Stipulation, the Respondent acknowledged, without admitting or denying the truth thereof, that the following allegations contained in the Amended Notice of Hearing shall be adopted as the Secretary of State's Findings of Fact:

1. Respondent Eric Hesse ("Hesse") was registered in the State of Illinois as an investment adviser representative and salesperson with U.S. Bancorp Investments, Inc. ("USBI") from March 12, 2012 through September 28, 2015. Respondent Hesse was registered as an investment adviser representative and salesperson with Citigroup Global Markets Inc. from October 29, 2015 through February 12, 2019.
2. Complainants are residents of the State of Illinois.

3. A unit investment trust (UIT) is a registered investment company that buys and holds a generally fixed portfolio of stocks, bonds or other securities and has a stated date for termination that varies according to the investments held in its portfolio. "Units" in the trust are sold to investors (unit holders) who receive a share of principal and dividends (or interest). When these trusts are dissolved, proceeds from the securities are either paid to unit holders or reinvested in another trust.
4. At the time Complainant CT met Respondent Hesse she was approximately 59 years old and retired. Her investment objective was income and she considered herself to be a moderate conservative investor. Complainant CT's annual income was reported as between \$20,000 and \$35,000. Her estimated net worth was listed as approximately \$300,000 to \$600,000, excluding her primary residence. Her liquid net worth was allegedly between \$200,000 and \$500,000.
5. According to Complainant CT, in or around May 2014, she was referred to Respondent Hesse by her local personal banker at U.S. Bank to discuss investment options for money she had in savings.
6. Complainant CT states that on or about May 9, 2014, she met with Respondent Hesse and another representative at U.S. Bank where she was given a sketched graph/chart explaining possible investment options for her in "principal protected, tax exempt municipal bonds" and would earn \$230.00 per month if she invested \$45,000.00 or \$128.00 per month if she invested \$25,000.00 for fifteen months.
7. Complainant CT states that she was attracted to the tax-exempt feature of the UIT.
8. According to complainant, she was told by Respondent Hesse that she would be purchasing shares in two different UITs totaling \$40,000.00.
9. Despite this fact, on or about May 9, 2014, Respondent Hesse recommended and effected in Complainant CT's USBI brokerage account the purchase of 3884 shares in one Invesco UIT for \$39,992.72.
10. Over the course of the investment, approximately \$3,000.00 was distributed from the UIT account to Complainant CT.
11. According to Complainant, periodically she spoke with Respondent Hesse who assured her that the fluctuations in the balance of the account would bounce back no matter how far the account balance dropped and that the initial principal investment would be protected.
12. According to Complainant, Hesse assured her that she would minimally receive back her investment minus withdrawals.

13. At the time Complainant SS met Respondent Hesse, she was approximately 66 years old and unemployed. SS's investment objective was preservation of capital and she considered herself to be conservative investor. Complainant SS's annual income was reported as less than \$20,000. Her estimated net worth was listed as approximately \$150,000 to \$300,000. Her liquid net worth was allegedly between \$200,000 and \$500,000.
14. In or around May 2014, Complainant SS met with Respondent Hesse to discuss investment options.
15. At this meeting, according to Complainant SS, Respondent Hesse recommended she purchase shares in Invesco UIT which would protect her principal investment and provide monthly interest payments.
16. According to Complainant SS, Respondent Hesse told her that she would receive monthly interest payments from the investment and full return of principal when the UIT matures.
17. Complainant SS's USBI investment switch acknowledgement dated May 21, 2014 specifically indicates that complainant wanted to increase income without depleting principal value.
18. On or about June 3, 2014, Respondent Hesse recommended and effected in Complainant SS's USBI account the purchase of 17,423 shares in Invesco UIT for \$176,165.47.
19. USBI's suitability results indicated that Complainant SS's purchase of the UIT was flagged because the complainant's purchase was potentially inconsistent with the client's objective; the "order exceeded the threshold for large orders of this type of product in either amount and/or quantity and/or percentage of the client's holdings; the total dollar amount to the order is significant in relation to the client's liquid net worth; and the total dollar amount to the order is significant in relation to the client's net worth. These flags were overridden.
20. Additionally, after receiving a number of "interest" payments from the UIT, Complainant SS contacted Respondent Hesse concerned with the continual decreasing balance of the UIT. According to Complainant SS, Respondent Hesse assured her that her principal investment was safe.
21. Over the course of the investment, approximately \$27,625.00 was distributed from the UIT account to Complainant SS.
22. On or about April 20, 2016, Complainant SS's UIT shares matured with her incurring a loss of approximately \$11,653.37.

Consent Order

4

23. Representative Hesse earned a commission of \$4,667.62 from the sale of the UIT to Complainant SS.
24. Section 12.A of the Act states in pertinent part that it shall be a violation of the Act for any person to offer or sell any security except in accordance with the provisions of the Act.
25. That by virtue of the foregoing, the Respondent has committed a violation of Section 12.A of the Act.

WHEREAS, by means of the Stipulation, the Respondent acknowledged, without admitting or denying the truth thereof, that the Secretary of State has adopted the following additional Finding of Fact:

26. Between June 25, 2014 and July 8, 2015, Complainant CT received dividend payments from the UIT totaling \$2,570.21.
27. That Section 11.E (4) of the Act provides that in addition to any other sanction or remedy contained in this subsection E, the Secretary of State, after finding that any provision of this Act has been violated, may impose a fine as provided by rule, regulation or order not to exceed \$10,000, for each violation of this Act, may issue an order of public censure against the violator, and may charge as costs of investigation all reasonable expenses, including attorney's fees and witness fees.

WHEREAS, by means of the Stipulation, the Respondent have acknowledged, without admitting or denying the averments, that the following shall be adopted as the Secretary of State's Conclusions of Law:

- (1) The Respondent has committed a violation of Sections 12.A of the Act;
- (2) The Respondent is subject to the entry of an order prohibiting or suspending Respondent from acting as a salesperson or investment adviser representative in the State of Illinois pursuant to Section 11.E(3) of the Act; and
- (3) The Respondent is subject to a FINE pursuant to Section 12.A and Section 11.E(4) of the Act.

Consent Order

5

WHEREAS, by means of the Stipulation, Respondent has acknowledged and agreed that he shall comply with all provisions of the Illinois Securities Law of 1953 (815 ILCS 5/1 et seq., as amended) and the Rules and Regulations of the Under the Illinois Securities Law of 1953.

WHEREAS, by means of the Stipulation, for a minimum of two (2) years from the entry of the Consent Order, Respondent's registration in Illinois, as a salesperson and/or investment advisor representative shall be subject to a twelve (12) month heightened supervision agreement.

WHEREAS, by means of the Stipulation, Respondent shall be levied costs incurred during the investigation of this matter in the amount of Seven Hundred and Fifty Dollars (\$750.00). Said costs shall be paid by certified or cashier's check, made payable to the Illinois Secretary of State, Securities Audit and Enforcement Fund, within 10 business days from the entry of the Consent Order.

WHEREAS, by means of the Stipulation, Respondent has acknowledged and agreed that Respondent shall submit a certified or cashier's check in the amount of Seven Hundred and Fifty Dollars (\$750.00), within 10 business days from the entry of the Consent Order. Said sum shall be allocated as follows: Seven Hundred and Fifty Dollars (\$750.00) as costs incurred. Said check shall be made payable to the Office of the Illinois Secretary of State, Securities Audit and Enforcement Fund.

WHEREAS, the Secretary of State, by and through his duly authorized representative, has determined that the matter related to the aforesaid formal hearing may be dismissed without further proceedings.

NOW THEREFORE IT SHALL BE AND IS HEREBY ORDERED THAT:

1. The Respondent shall comply with all applicable provisions of the Illinois Securities Law of 1953 (815 ILCS 5/1 et seq., as amended) and the Rules and Regulations of the Under the Illinois Securities Law of 1953.
2. The Respondent is levied costs of investigation in this matter in the amount of Seven Hundred and Fifty Dollars (\$750.00), payable to the Office of the Illinois Secretary of State, Securities Audit and Enforcement Fund, and shall submit Seven Hundred and Fifty Dollars (\$750.00) in payment thereof, within 10 business days from the entry of the Consent Order.
3. Respondent's registration shall be subject to successful completion of a twelve (12) month heightened supervision agreement, for a minimum of two (2) years from the entry of the Consent Order.

Consent Order

6

4. The formal hearing scheduled on this matter is hereby dismissed without further proceedings.

ENTERED This 22nd day of April, 2019.



JESSE WHITE
Secretary of State
State of Illinois

NOTICE: Failure to comply with the terms of this Order shall be a violation of Section 12(D) of the Illinois Securities Law of 1953 [815 ILCS 5] (the "Act"). Any person or entity who fails to comply with the terms of this Order of the Secretary of State, having knowledge of the existence of this Order, shall be guilty of a Class 4 felony.

Attorney for the Secretary of State:
Felicia H. Simmons-Stovall
Enforcement Attorney
Office of the Secretary of State
Illinois Securities Department
69 W. Washington Street, Suite 1220
Chicago, Illinois 60602
Telephone: (312) 793-3384

Hearing Officer:
James L. Kopecky
190 S. LaSalle, Suite 850-A
Chicago, Illinois 60603
Telephone: (312) 380-6552