



OFFICE OF
INSURANCE COMMISSIONER

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Hollingsworth, DC
Patricia A. Polerton
Chief Hearing Officer

In The Matter of

Jeffery S. Hollingsworth

NO. 11-0282

OIC HEARING MEMORANDUM

I. FACTS

By Order dated December 5, 2011 the Commissioner revoked the license of Jeffrey Hollingsworth, effective December 23, 2011. (OIC Exhibit 1). Mr. Hollingsworth holds a Washington non-resident insurance producer's license, issued March 15, 2007. He is licensed to sell life and disability in Washington. He was also licensed to sell variable lines until September 2, 2011 when this line was cancelled by the OIC due to an inactive FINRA registration. (Exhibit 3). An e-mail was sent to Mr. Hollingsworth at the e-mail address he provided to the OIC explaining that he was no longer able to sell variable lines. (Exhibit 3).

Mr. Hollingsworth also holds a current Texas resident producer license allowing him to sell life, accident, and health, The Texas license was issued May 4, 1988. He also held a viatical life settlement broker's license in Texas from 2007-2010. The life settlement license is currently inactive, per records from Texas. (OIC Exhibit 5)

In August 2011 it came to the Commissioner's attention that Mr. Hollingsworth had two FINRA actions pending against him and was suspended on July 8, 2011 by the Financial Industry Regulatory Authority (FINRA) for "failing to comply with an arbitration award or settlement agreement or to satisfactorily respond to a FINRA request to provide information concerning the status of compliance". (Exhibit 2). On September 2, 2011 the OIC both e-mailed and mailed a letter to Mr. Hollingsworth at the addresses he had on file with the OIC asking why he had not reported the FINRA actions in accordance with RCW 48.17.597. Further inquiry was made as to why he had a Texas resident license and a non-resident license in Washington when he had a Washington mailing address. No response was received. By letter dated September 30, 2011 a second letter was mailed to Mr. Hollingsworth asking for the information. No response was received. (Exhibit 3).

Based upon the substantive information available from FINRA (Exhibit 2), the FINRA

suspension, the failure to report the suspension, and failure to update contact information with the OIC, the Commissioner revoked Mr. Hollingsworth's producer's license.

Within a matter of days after the OIC mailed the Order of Revocation, Mr. Hollingsworth contacted the undersigned, acknowledging receipt of the Order. Thereafter a series of e-mails were exchanged in which Mr. Hollingsworth provided an explanation to the undersigned as to the FINRA suspension and his failure to communicate with the OIC. The Commissioner does not believe the information and explanations provided by Mr. Hollingsworth justify a reversal of the Revocation. The facts support the clear need for Mr. Hollingsworth's license to be revoked based upon violations of the insurance code.

Information from Hollingsworth re FINRA suspension:

By e-mail dated December 12, 2011 Mr. Hollingsworth explained to the OIC that the FINRA suspension pertained to a remaining debt of \$42,000-\$70,000 owed to LPL Financial where he worked during 2008-2009. LPL had apparently advanced Mr. Hollingsworth \$100,000 and the money was to be repaid out of commissions. (OIC Exhibit 7) Mr. Hollingsworth left LPL Financial in 2009 to work for Next Financial where apparently his commissions were being sent to LPL to reduce the debt owed to LPL. Mr. Hollingsworth no longer works for Next Financial. He has also been the owner of Trevcore Financial Services. The status of his ownership of that company is unknown.

Mr. Hollingsworth provided the OIC with what appears to be pages from a Stipulated Judgment entered into between Hollingsworth and LPL in 2010 as part of a FINRA arbitration Submission Agreement. (OIC Exhibit 8). It does not appear that the document as provided by Mr. Hollingsworth is complete. Despite the settlement agreement, FINRA suspended Mr. Hollingsworth in July 2011. Mr. Hollingsworth states that he did not receive notice of the suspension. Mr. Hollingsworth states that he does not have a current payment plan in place with LPL Financial.

A FINRA Broker Check Report is submitted as OIC Exhibit 2. The report shows that there have been several complaints filed by consumers against Mr. Hollingsworth. The report further shows outstanding liens to the IRS in the amount of \$494,259.68. The report also shows the July 2011 FINRA suspension and identifies the current status of the suspension as being "final".

As indicated, based upon information provided by the licensee, the outstanding debt to LPL is currently between \$42,000 and \$70,000.

Information from Hollingsworth re failure to report FINRA action to OIC and failure to respond to requests from OIC for information:

Mr. Hollingsworth explains that his failure to report the FINRA suspension to the OIC was due to his lack of knowledge re same. He states that his ex-wife destroyed all of his mail, including any notices from FINRA.

Mr. Hollingsworth explains that he did not receive the OIC letters due to the actions of his ex-wife in destroying his mail. His explanation as to not receiving either of two OIC e-mails is that he no longer worked at Next Financial. The Next Financial e-mail address was the last known e-mail address provided to the OIC by Mr. Hollingsworth.

The OIC would submit that had Mr. Hollingsworth updated his e-mail, residence, business, and mailing addresses as required to do so by law, that he would have received the information. It was not until the undersigned specifically advised Mr. Hollingsworth to update his addresses that he provided current information.

II. LEGAL AUTHORITY AND ARGUMENT

Mr. Hollingsworth's license was revoked by the Office of the Insurance Commissioner based upon the following insurance code violations:

1. **RCW 48.17.530(1) (h):** engaging in conduct involving the use of fraudulent, coercive, or dishonest practices, and for demonstrating incompetence, untrustworthiness, and financial irresponsibility in this state.

The evidence submitted by the Commissioner supports and justifies that the revocation should be upheld. The information provided on the FINRA Broker Check Report, including the consumer complaints, outstanding debt to LPL Financial, and the IRS debt exceeding \$400,000 demonstrate untrustworthiness and financial irresponsibility. Mr. Hollingsworth reports by e-mail

dated February 8, 2012 (Exhibit 7) that he does not have a payment plan in place with LPL Financial.

Submitted as OIC Exhibit 9 are copies of current liens and judgments against Mr. Hollingsworth. He defaulted on the rent for a commercial building to Sumner Capital Investors, LLC and has an outstanding judgment of \$30,439. He defaulted on the rent for another commercial building where he was renting space in Eatonville. There is an outstanding lien and judgment in the amount of \$10,150.00. There are two State of Washington Department of Employment Security tax warrants still outstanding. Records from the Pierce County Auditor show Federal Tax Liens totaling nearly \$900,000. The failure to pay taxes and the defaults on the commercial leases further demonstrates untrustworthiness and financial irresponsibility.

Mr. Hollingsworth has reported to the OIC that he currently works for Milestone Investments, part of the Milestone Companies in located in Sumner, Washington. Milestone is in the business of building homes but has created Milestone Investments and Milestone Life Settlement presumably in order to raise capital. Mr. Hollingsworth reports that he receives a salary from Milestone Investments but sells life insurance and annuities independently. He denies any involvement in Milestone Life Settlement. Submitted as OIC Exhibit 6 is an SEC Form D. The Form D shows that beginning in July 2011 there was an offering of securities to the public by Milestone Life Settlement Fund. Milestone was seeking to raise up to \$24 million dollars in capital. Mr. Hollingsworth is listed on the Form D as the "Recipient" of the funds. The State of Solicitation is listed as "all states". The undersigned would submit that further inquiry needs to be made at time of hearing on Mr. Hollingsworth's involvement with Milestone Life Settlement here in Washington. Exhibit 5 shows that Mr. Hollingsworth had a viatical life settlement broker's license in Texas from 2007 until 2010 when the license became inactive.

The evidence in this case establishes clear violations of RCW 48.17.530(1) (h). Mr. Hollingsworth has not shown himself to act in a competent, trustworthy and financially responsible manner in this State.

2. RCW 48.17.475: failing to respond to inquiries from the Commissioner.

As stated above, Mr. Hollingsworth explains that he did not receive the OIC letters due to the actions of his ex-wife in destroying his mail. His explanation as to not receiving either of two OIC e-mails was that he no longer worked at Next Financial. The addresses used by the OIC to

communicate with Mr. Hollingsworth were the last known addresses of record. If he had issues with his ex-wife destroying mail, he needed to make sure his address information was updated.

When Mr. Hollingsworth updated his addresses after being told to do so by the OIC, there was an update to the e-mail, residence, mailing, and business addresses.

3. **RCW 48.17.597**: failing to report to the Commissioner an administrative action taken against him within 30 days of the final disposition of the matter.

Mr. Hollingsworth explains that his failure to report the FINRA suspension to the OIC was due to his lack of knowledge re same. The lack of knowledge of the FINRA suspension was due to his failure to inform FINRA of his current whereabouts.

The reasons behind the suspension are grounds for revocation under RCW 48.17.530(1) (h).

III. CONCLUSION

For the conduct described herein and in accordance with the above cited violations of the insurance code, the OIC urges the Hearing Officer to uphold the revocation of Mr. Hollingsworth's insurance producer license.

Respectfully Submitted this 23 day of March, 2012.

MIKE KREIDLER
Insurance Commissioner

By 
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Hearing Unit, DIC
Patricia D. Petersen
Chief Hearing Officer

In the Matter of)

Jeffrey S. Hollingsworth)

No. 11-0282)

OIC Exhibit and Witness List for March 28,
2012 Hearing)

Exhibits:

1. Order of Revocation
2. FINRA Broker Check Report
3. OIC letters and e-mails to Jeffrey Hollingsworth
4. 2011 and 2012 OIC Licensing records
5. Licensing information from Texas Department of Insurance
6. SEC Form D
7. E-mails between Hollingsworth and OIC re explanation of FINRA suspension
8. FINRA arbitration information provided by Jeffrey Hollingsworth
9. Miscellaneous court and auditor records re judgments and liens

Witnesses:

1. Jeff Baughman, OIC Licensing Manager
2. Jeffrey Hollingsworth, Licensee

Respectfully Submitted this 21st day of March, 2012.

MIKE KREIDLER
Insurance Commissioner

By

Robin E. Aronson
Staff Attorney – Legal Affairs

