

**FINANCIAL INDUSTRY REGULATORY AUTHORITY  
LETTER OF ACCEPTANCE, WAIVER AND CONSENT  
NO. 2011030405801**

TO: Department of Enforcement  
Financial Industry Regulatory Authority ("FINRA")

RE: Aaron R. Parthemer (CRD No. 2546369)  
Respondent

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, I, Aaron R. Parthemer ("Parthemer" or "Respondent"), submit this Letter of Acceptance, Waiver and Consent ("AWC") for the purpose of proposing a settlement of the alleged rule violations described below. This AWC is submitted on the condition that, if accepted, FINRA will not bring any future actions against me alleging violations based on the same factual findings described herein.

**I.**

**ACCEPTANCE AND CONSENT**

- A. I hereby accept and consent, without admitting or denying the findings, and solely for the purposes of this proceeding and any other proceeding brought by or on behalf of FINRA, or to which FINRA is a party, prior to a hearing and without an adjudication of any issue of law or fact, to the entry of the following findings by FINRA:

**BACKGROUND**

In October 1994, Parthemer first became registered with FINRA as a General Securities Representative ("GSR"). From June 2009 through October 21, 2011, he was registered in the same capacity through Morgan Stanley Smith Barney LLC ("Morgan Stanley"). On November 4, 2011, Morgan Stanley filed a Uniform Termination Notice for Securities Industry Registration (Form U5) stating that Parthemer's termination from the firm was voluntary. His last date of employment was October 21, 2011.

From October 21, 2011 to the present, Parthemer has been registered as a GSR through Wells Fargo Advisors, LLC ("Wells Fargo").

**RELEVANT DISCIPLINARY HISTORY**

Parthemer does not have any relevant formal disciplinary history with the Securities and Exchange Commission, any self-regulatory organization or any state securities regulator.

## OVERVIEW

From June 2009 through March 2013, while Parthemer was registered with FINRA through an association with Morgan Stanley and later Wells Fargo, Parthemer engaged in several undisclosed outside business activities, loaned nearly \$400,000 to three firm customers without permission from his firm, presented an undisclosed private securities transaction in which eight firm customers ultimately invested more than \$3 million, and, on multiple occasions, provided false information and false documents to Morgan Stanley, Wells Fargo, and FINRA.

This conduct violated NASD Conduct Rules 3030 and 3040 and FINRA Rules 3240, 3270, 8210 and 2010.

## FACTS AND VIOLATIVE CONDUCT

In 2009, Parthemer and his partner, SK, formed PKG, a d/b/a branch office located in Fort Lauderdale, Florida, that was registered through Morgan Stanley and then Wells Fargo. PKG provided financial “concierge” services to professional athletes who played in the NFL and the NBA. As set forth more fully below, a number of the violations committed by Parthemer were committed at the behest, or for the supposed benefit, of several of these athletes/customers.

### 1. Outside Business Activities

NASD Rule 3030 provided: “No person associated with a member in any registered capacity shall be employed by, or accept compensation from, any other person as a result of any business activity, other than a passive investment, outside the scope of his relationship with his employer firm, unless he has provided prompt written notice to the member. Such notice shall be in the form required by the member.”

FINRA Rule 3270 provides: “No registered person may be an employee, independent contractor, sole proprietor, officer, director or partner of another person, or be compensated, or have the reasonable expectation of compensation, from any other person as a result of any business activity outside the scope of the relationship with his or her member firm, unless he or she has provided prior written notice to the member, in such form as specified by the member.”<sup>1</sup>

FINRA Rule 2010 requires that registered representatives observe high standards of commercial honor and just and equitable principles of trade.

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<sup>1</sup> FINRA Rule 3270 replaced NASD Conduct Rule 3030 effective December 15, 2010.

From June 2009 through March 2013, while registered with FINRA through an association with Morgan Stanley and then Wells Fargo, Parthemer participated in at least three separate outside business activities without providing prior notice to, or receiving approval from, Morgan Stanley and Wells Fargo.

#### *The Miami Beach nightclub*

From June 2009 through January 2012, Parthemer participated in an outside business activity involving CP, a nightclub in Miami Beach, Florida, which was owned by several professional athletes in the NFL and NBA who also were customers of Parthemer at Morgan Stanley and Wells Fargo. During this period, Parthemer served as CP's President and Chief Executive Officer and managed the day-to-day operations of CP, including payroll, staffing, entertainment, supplies, and advertising.

#### *Nightclub Promotion and Marketing Tequila*

On or about June 7, 2011, Parthemer incorporated AMI in the State of Florida. Parthemer told FINRA that he initially incorporated AMI in order to pay expenses associated with operating his branch office. However, over time, Parthemer used AMI to engage in additional business activities unrelated to his branch office.

Specifically, on November 21, 2011, Parthemer used AMI to make a \$50,000 "capital contribution" to AH, LLC, a promotional company that, among other things, operated a website that promoted various nightclubs.

Further, in September 2011, at the behest of several of his clients, AMI, through Parthemer, entered into an agreement with BI, the United States import and distribution arm of an international liquor company, for AMI to provide public relations and product placement services for a brand of Tequila. On September 8, 2011, Parthemer signed the agreement with BI as the President of AMI, which stated that AMI would be compensated after it sold a certain amount of Tequila. From September 2011 to in or about March 2013, AMI marketed the Tequila at nightclub CP, and through other means, including delivering complimentary gift baskets of the Tequila to several NFL and NBA teams.

By having participated in these outside business activities without providing prior notice to, or receiving approval from, his employer member firms, Parthemer violated NASD Conduct Rule 3030 and FINRA Rules 3270 and 2010.

## 2. Loans to Customers

FINRA Rule 3240(a) states that a registered representative may not lend money to any customer unless his member firm has written procedures that allow such lending and the lending arrangement meets certain other conditions. FINRA Rule

3240(b) also requires registered persons to notify their member firms and obtain written pre-approval of their lending and borrowing arrangements.

From November 2011 through January 23, 2012, while Parthemer was registered with FINRA through an association with Wells Fargo, Parthemer loaned approximately \$399,500 to three professional athletes who were owners of nightclub CP as well as customers of Parthemer at Wells Fargo. The purpose of the loan was to cover expenses related to the operation of CP. At the time, Wells Fargo's procedures prohibited loans to a firm customer unless the customer was an immediate family member of the representative and the loan was not securities related. Parthemer loaned the \$399,500 to customers who were unrelated to him, and the loans were not securities related. Moreover, Parthemer never disclosed the loans to Wells Fargo.

As a result of the foregoing conduct, Parthemer violated FINRA Rules 3240 and 2010.

### 3. Private Securities Transactions

NASD Conduct Rule 3040 prohibits persons associated with a FINRA member from engaging in any manner in a private securities transaction without providing written notice to the FINRA member prior to that participation. Rule 3040 defines "private securities transaction" as "any securities transaction outside the regular course or scope of the associated person's employment with the member."

From approximately July 2009 through February 2012, Parthemer participated in a private securities transaction regarding GVC, a startup internet branding company managed by GH, a friend of Parthemer. Specifically, at the behest of several of his clients, Parthemer referred several of his NFL and NBA clients to GH for the purpose of investing in GVC. Subsequently, approximately eight of Parthemer's clients purchased approximately \$3.08 million of preferred GVC stock. Parthemer facilitated the transactions by hosting a presentation for investors conducted by GH at Parthemer's home, sending PowerPoint presentations and other information concerning GVC to potential investors, and forwarding and retrieving required documentation to and from investors.

Parthemer's customers' investments in GVC were outside the course and scope of Parthemer's employment with Morgan Stanley and Wells Fargo, and Parthemer did not seek or obtain written approval from either firm to participate in the transactions.

As a result of the foregoing conduct, Parthemer violated NASD Conduct Rule 3040 and FINRA Rule 2010.

#### 4. False Written Responses to FINRA 8210 Requests

On March 23, 2012 and November 15, 2012, Parthemer provided false information and false documents in response to two FINRA 8210 requests.

*March 23, 2012*

On February 28, 2012, FINRA sent Parthemer a letter pursuant to FINRA Rule 8210 seeking a written explanation concerning his affiliation with AMI and the nature of his activities on behalf of AMI.

On March 23, 2012, Parthemer provided a written response to FINRA. In this response, Parthemer claimed he formed AMI in June 7, 2011 “for the purpose of taking tax deductions for the expenses associated with the marketing of his broker-dealer business” but he “never utilized [AMI] for this or any other reason.” Parthemer stated “[AMI] had never maintained any bank or brokerage accounts, owned any assets, paid any bills, or engaged any business. It is, and always has been, simply a corporate shell.” Parthemer’s response was false. As set forth above, at the time of his response, Parthemer was aware that AMI had made a “capital contribution” to AH, LLC and had entered into the service agreement with BI regarding the marketing of Tequila.

*November 15, 2012*

On October 16, 2012, FINRA staff sent Parthemer a letter pursuant to FINRA Rule 8210 seeking a written explanation concerning a \$50,000 check dated November 21, 2011 that was written by Parthemer from his personal checking account to AH, LLC. The memo line of the check stated “Capital Contribution.”

On November 15, 2012, Parthemer provided a written response to FINRA. In this response, Parthemer claimed that the \$50,000 check was a loan from his family member LP to her relative LM who was starting a new business. Further, Parthemer sent FINRA a copy of a purported loan agreement dated November 2011 related to the \$50,000 check between LP and LM.

Both the response to FINRA and the loan agreement were false. During an on-the-record interview, Parthemer admitted that the \$50,000 check was not a loan between his family member and a relative but was, in fact, a capital contribution by Parthemer to AH, LLC. In addition, Parthemer testified that he created and backdated the false loan agreement to make it appear that the \$50,000 check was a loan from LP to LM and not a capital contribution by Parthemer to AH, LLC.

As a result of the foregoing conduct, Parthemer violated FINRA Rules 8210 and 2010.

## 5. False Compliance Questionnaires

In March 2010, Parthemer falsely represented to Morgan Stanley in a compliance questionnaire that he was not participating in any outside business activities that required disclosure and that he had not participated in any private securities transactions.

In August 2012, Parthemer falsely represented to Wells Fargo in a compliance questionnaire that he was not participating in any outside business activities that required disclosure and that he had not participated in any private securities transactions.

As a result of the foregoing conduct, Parthemer violated FINRA Rule 2010.

B. I also consent to the imposition of the following sanction:

- A bar from association with any FINRA member in any capacity.

I understand that if I am barred or suspended from associating with any FINRA member, I become subject to a statutory disqualification as that term is defined in Article III, Section 4 of FINRA's By-Laws, incorporating Section 3(a)(39) of the Securities Exchange Act of 1934. Accordingly, I may not be associated with any FINRA member in any capacity, including clerical or ministerial functions, during the period of the bar or suspension (see FINRA Rules 8310 and 8311).

The sanction imposed herein shall be effective on a date set by FINRA staff. Pursuant to FINRA Rule 8313(e), a bar or expulsion shall become effective upon approval or acceptance of this AWC.

## II.

### WAIVER OF PROCEDURAL RIGHTS

I specifically and voluntarily waive the following rights granted under FINRA's Code of Procedure:

- A. To have a Complaint issued specifying the allegations against me;
- B. To be notified of the Complaint and have the opportunity to answer the allegations in writing;
- C. To defend against the allegations in a disciplinary hearing before a hearing panel, to have a written record of the hearing made and to have a written decision issued; and

- D. To appeal any such decision to the National Adjudicatory Council (“NAC”) and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, I specifically and voluntarily waive any right to claim bias or prejudgment of the Chief Legal Officer, the NAC, or any member of the NAC, in connection with such person’s or body’s participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including acceptance or rejection of this AWC.

I further specifically and voluntarily waive any right to claim that a person violated the ex parte prohibitions of FINRA Rule 9143 or the separation of functions prohibitions of FINRA Rule 9144, in connection with such person’s or body’s participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including its acceptance or rejection.

### III.

#### OTHER MATTERS

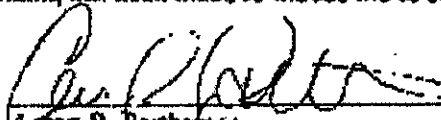
I understand that:

- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs (“ODA”), pursuant to FINRA Rule 9216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against me; and
- C. If accepted:
  - 1. this AWC will become part of my permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against me;
  - 2. this AWC will be made available through FINRA’s public disclosure program in accordance with FINRA Rule 8313;
  - 3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with FINRA Rule 8313; and
  - 4. I may not take any action or make or permit to be made any public statement, including in regulatory filings or otherwise, denying, directly or indirectly, any finding in this AWC or create the impression that the AWC is without factual basis. I may not take any position in any proceeding


brought by or on behalf of FINRA, or to which FINRA is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects my: (i) testimonial obligations; or (ii) right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.

I certify that I have read and understand all of the provisions of this AWC and have been given a full opportunity to ask questions about it; that I have agreed to its provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein and the prospect of avoiding the issuance of a Complaint, has been made to induce me to submit it.

3-6-15  
Date (mm/dd/yyyy)

  
Aaron R. Parthemer


Reviewed by:

  
James D. Sallah, Esq.  
Counsel for Respondent  
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Accepted by FINRA:

4/22/2015  
Date

Signed on behalf of the  
Director of ODA, by delegated authority

  
Noel C. Downey  
Senior Regional Counsel  
FINRA Department of Enforcement  
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