FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 2019063686204

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

RE: Rande Aaronson (Respondent)
Former General Securities Principal
CRD No. 1758915

Pursuant to FINRA Rule 9216, Respondent Rande Aaronson submits 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 Respondent alleging violations based on the same factual findings described in this AWC.

I.

ACCEPTANCE AND CONSENT

A. Respondent accepts and consents to the following findings by FINRA without admitting or denying them:

BACKGROUND

Aaronson first registered with FINRA as a General Securities Representative in 1987 through his association with David Lerner Associates, Inc. (DLA). In 1994, Aaronson became registered as a General Securities Principal through his association with the firm. From July 2006 to January 2019, Aaronson served as the branch manager for the Teaneck, New Jersey branch of DLA. Starting in early 2019, after the Teaneck branch closed, Aaronson became the branch manager for the Lawrenceville, New Jersey branch of the firm. On June 3, 2021, DLA filed a Form U5 (Uniform Termination Notice for Securities Industry Registration) disclosing Aaronson's voluntary termination from the firm.

Although Aaronson is no longer registered or associated with a FINRA member firm, he remains subject to FINRA's jurisdiction pursuant to Article V, Section 4 of FINRA By-Laws.[1]

OVERVIEW

From January 2015 through October 2019, branch manager Aaronson failed to reasonably supervise sales of two illiquid oil and gas limited partnerships, Energy 11, L.P. (E11) and Energy Resources 12, L.P. (E12), to ensure that the sales were suitable for

[1] For more information about the respondent, visit BrokerCheck® at www.finra.org/brokercheck.

customers given their investment profiles, as required by FINRA Rule 2111 and the firm's policies and written supervisory procedures (WSPs). Therefore, Aaronson violated FINRA Rules 3110 and 2010.

FACTS AND VIOLATIVE CONDUCT

FINRA Rule 3110 requires that member firms "establish and maintain a system to supervise the activities of each associated person that is reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable FINRA rules." To comply with this obligation, a firm's supervisors must reasonably investigate red flags of potential misconduct and act upon the results of such investigation.

A violation of FINRA Rule 3110 also constitutes a violation of FINRA Rule 2010, which requires FINRA members and associated persons to "observe high standards of commercial honor and just and equitable principles of trade" in the conduct of their business.

FINRA Rule 2111 requires that members and associated persons "must have a reasonable basis to believe that a recommended transaction or investment strategy involving a security or securities is suitable for the customer," based on information about the customer's investment profile obtained through reasonable diligence. The customer's investment profile includes, but is not limited to, the customer's age, other investments, financial situation and needs, tax status, investment objectives, investment experience, investment time horizon, liquidity needs, and risk tolerance.

The E11 and E12 Limited Partnerships

E11 and E12 are illiquid limited partnerships that registered representatives at DLA sold to their customers. Each limited partnership was formed to acquire and develop oil and gas properties. Additionally, the partnerships' objectives included making distributions to investors and, five-to-seven-years after the termination of the offering, engaging in a liquidity event. Each limited partnership's ability to make return of capital distributions to its partners and to engage in a liquidity event was substantially dependent on the performance of the oil and gas properties in which the partnerships invested. According to the E11 and E12 prospectuses, investments in the partnerships involve a "high degree of risk," and these limited partnership interests were appropriate only for investors willing and able to assume the risk of a "speculative, illiquid, and long-term investment."

The Firm's Procedures Related to Suitability and Sales of E11 and E12

Pursuant to the firm's WSPs in effect from January 2015 through October 2019, supervisors were required to review all customer orders for suitability.

The firm's WSPs also included a policy specific to a customer's change of their risk tolerance, as reflected on each customer's Suitability Profile. The policy prohibited changes to a customer's risk tolerance solely for the purpose of qualifying the account to engage in a certain transaction. Branch managers had the supervisory responsibility to

review Suitability Profiles, to assess the appropriateness of any risk tolerance changes on Suitability Profiles, and to accept and sign Suitability Profiles.

The firm also had parameters limiting customer investments in E11 and E12 to certain percentages of their assets depending on the customer's risk tolerance and liquid net worth in which customers with higher risk tolerance and liquid net worth could purchase larger positions in E11 and E12.

Branch managers were required to review and approve each E11 and E12 sales ticket, which included information about the customer including time horizon, age, net worth, liquid net worth, and risk tolerance level.

Aaronson Failed to Reasonably Supervise Certain E11 and E12 Sales

When Aaronson reviewed a specific E11 or E12 transaction, his practice was to check that the related customer Suitability Profile was signed and that the customer had signed the Subscription Agreement and Acknowledgement of Risk form. He also compared the sale to DLA's sales parameters for E11 and E12. Yet Aaronson did not conduct a reasonable analysis of the suitability of E11 and E12 transactions for certain customers, even when he reviewed sales to senior customers and/or within 30 days of a risk tolerance increase.

Aaronson was aware of, but failed to reasonably investigate and respond to, red flags of potentially unsuitable sales of E11 and E12 to certain senior customers.

Aaronson was also aware of changes to customer risk tolerances around the time of sales of E11 and E12. Importantly, an increase in risk tolerance could be necessary for a customer to purchase E11 or E12 under DLA's sales parameters or necessary to enable the customer to purchase an increased amount of E11 or E12. Nevertheless, he did not reasonably investigate certain customer risk tolerance increases as a red flag that required additional scrutiny.

By failing to reasonably supervise sales of E11 and E12, Aaronson violated FINRA Rules 3110 and 2010.

B. Respondent also consents to the imposition of the following sanctions:

- a one-month suspension from associating with any FINRA member in all principal capacities, and
- a $5,000 fine.

The fine shall be due and payable either immediately upon reassociation with a member firm or prior to any application or request for relief from any statutory disqualification resulting from this or any other event or proceeding, whichever is earlier.

Respondent specifically and voluntarily waives any right to claim an inability to pay, now or at any time after the execution of this AWC, the monetary sanction imposed in this matter.

Respondent understands that if he is barred or suspended from associating with any FINRA member in a principal capacity, he becomes 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, Respondent may not be associated with any FINRA member in a principal capacity, during the period of the bar or suspension. *See* FINRA Rules 8310 and 8311. Furthermore, because Respondent is subject to a statutory disqualification during the suspension, if he remains associated with a member firm in a non-suspended capacity, an application to continue that association may be required.

II.

WAIVER OF PROCEDURAL RIGHTS

Respondent specifically and voluntarily waives the following rights granted under FINRA's Code of Procedure:

A. To have a complaint issued specifying the allegations against him;

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, Respondent specifically and voluntarily waives 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 its acceptance or rejection.

Respondent further specifically and voluntarily waives 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

Respondent understands 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 Respondent; and

C. If accepted:

1. this AWC will become part of Respondent's permanent disciplinary record and may be considered in any future action brought by FINRA or any other regulator against Respondent;

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 its subject matter in accordance with FINRA Rule 8313; and

4. Respondent 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. Respondent 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 Respondent's right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party. Nothing in this provision affects Respondent's testimonial obligations in any litigation or other legal proceedings.

D. Respondent may attach a corrective action statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Respondent understands that he may not deny the charges or make any statement that is inconsistent with the AWC in this statement. This statement does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA.

Respondent certifies that he has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; Respondent has agreed to the AWC's provisions voluntarily; and no offer, threat, inducement, or promise of any kind, other than the

terms set forth in this AWC and the prospect of avoiding the issuance of a complaint, has been made to induce him to submit this AWC.

May 24, 2023

Date

Rande Aaronson

Rande Aaronson
Respondent

Reviewed by:

James P. Dombach

Leonard J. Amoruso
James Dombach
Counsel for Respondent
Davis Wright Tremaine LLP
1185 Avenue of the Americas
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Accepted by FINRA:

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

May 30, 2023

Date

Marisa Calleja
Counsel
FINRA
Department of Enforcement
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