

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2011028988901**

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

RE: Adam A. Pflum, Respondent
General Securities Representative
CRD No. 5220575

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, I 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

Adam A. Pflum ("Pflum") first became registered in the securities industry in August 2009. Specifically, Pflum was associated as a general securities representative with Scottrade, Inc. ("Scottrade"). Pflum remained with Scottrade until August 2011. Pflum is not currently employed by a FINRA member firm and does not have a relevant disciplinary history.

OVERVIEW

Pflum engaged in an outside business activity after being prohibited from engaging in such activity by his FINRA member firm, in violation of FINRA Rules 3270 and 2010. Additionally, Pflum, while associated with a FINRA member firm, opened and maintained securities accounts with another FINRA member firm without providing notice to the other FINRA member firm that he was employed by a FINRA member firm. Furthermore, Pflum failed to provide notice of the securities accounts he opened with another FINRA member to his employing FINRA member firm, all in violation of NASD Conduct Rule 3050 and FINRA Rule 2010.

FACTS AND VIOLATIVE CONDUCT

Engaging in a Prohibited Outside Business Activity

FINRA Rule 3270 provides that "[n]o 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.”

In or about December 2010, Pflum formed AP Capital Management, LLC (“AP Capital”), a hedge fund, for the purpose of trading his own funds. Scottrade detected this potential outside business activity in connection with an e-mail review and requested that Pflum submit an outside business activity (“OBA”) form. On December 31, 2010, Pflum completed an OBA form regarding AP Capital and submitted it to Scottrade. On January 4, 2011, Scottrade denied Pflum’s request for approval to create and engage in business through AP Capital.

However, the next day (January 5, 2011), without disclosure to Scottrade and contrary to Scottrade’s prohibition, Pflum filed documents with the North Carolina Division of Corporations to create AP Capital. The Articles of Organization for AP Capital lists Pflum as a “managing member.” Thereafter, as more fully discussed below, Pflum opened multiple securities accounts titled to AP Capital and directed securities trading on behalf of AP Capital.

As a result of the foregoing conduct, Respondent Pflum violated FINRA Rules 3270 and 2010.

Undisclosed Securities Accounts with Another FINRA Member Firm

NASD Conduct Rule 3050(c) requires that an associated person, “prior to opening an account ... with another member, shall notify both the employer member and the executing member, in writing, of his or her association with the other member.” Failure to provide written notice as described in NASD Conduct Rule 3050, upon opening an account, violates FINRA Rule 2010.

On January 6, 2011, while still associated with Scottrade, Pflum opened a securities account in the name of AP Capital and another securities account titled to AP Capital Growth and Income Fund LP¹ with another FINRA member firm. Later, Pflum opened a third securities account also titled to AP Capital with the same FINRA member firm.

The new account documentation for the three securities accounts specifically asked if the account holder is an employee of a securities firm. Pflum completed the new account applications for each account. In an effort to conceal these accounts from Scottrade, Pflum falsely answered “no” to the question regarding whether the account holder was employed by a securities firm on each of the three account applications.

From January 2011 through April 2011, Pflum entered 34 transactions in one of the three securities accounts and from June 2011 through July 18, 2011, Pflum entered 48 transactions in another securities account. Pflum failed to disclose to Scottrade that he had opened securities accounts with another FINRA member firm, had trading authorization over the securities accounts, and had participated in the execution of transactions in the undisclosed securities accounts.

As a result of the foregoing conduct, Respondent Pflum violated NASD Conduct Rule 3050 and FINRA Rule 2010.

¹ AP Capital Growth & Income Fund, LP was an investment limited partnership also established by Pflum. AP Capital served as its general partner.

- B. I also consent to the imposition of the following sanctions: a one-year suspension from association with any FINRA member firm in all capacities.

Respondent Pflum has submitted a sworn financial statement and demonstrated an inability to pay. In light of the financial status of Respondent Pflum, no monetary sanctions have been imposed.

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 sanctions imposed herein shall be effective on a date set by FINRA staff.

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 General Counsel, 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 response to public inquiries about my disciplinary record;
 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.
- D. I may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. I understand that I 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 or its staff.

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.

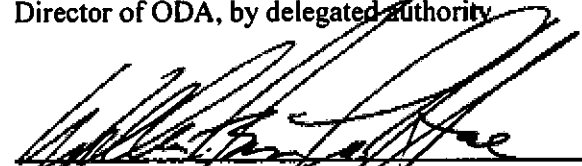
7/12/13
Date

Adam A. Pflum
Adam A. Pflum, Respondent

Accepted by FINRA:

7/18/13
Date

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



William Brice La Hue, Senior Regional Counsel
FINRA, Department of Enforcement
One Securities Centre, Suite 500
3490 Piedmont Road, N.E.
Atlanta, Georgia 30305
(404) 239-6111; Fax: (404) 264-1586
E-Mail: brice.lahue@finra.org
and teresa.reich@finra.org (senior paralegal)