

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
OFFICE OF HEARING OFFICERS**

Department of Enforcement,

Complainant,

v.

Aaron K. Barnhardt,
CRD No. 4316446,

Respondent.

Disciplinary Proceeding
No. 2012033432101

Hearing Officer -MC

**ORDER ACCEPTING OFFER OF
SETTLEMENT**

Date: July 22, 2013

INTRODUCTION

Disciplinary Proceeding No.2012033432101 was filed on January 17, 2013, by the Department of Enforcement of the Financial Industry Regulatory Authority (FINRA) (Complainant). Respondent, Aaron K. Barnhardt, submitted an Offer of Settlement (Offer) to Complainant dated May 7, 2013. Pursuant to FINRA Rule 9270(e), the Complainant and the National Adjudicatory Council (NAC), a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs (ODA) have accepted the uncontested Offer. Accordingly, this Order now is issued pursuant to FINRA Rule 9270(e)(3). The findings, conclusions and sanctions set forth in this Order are those stated in the Offer as accepted by the Complainant and approved by the NAC.

Under the terms of the Offer, Respondent has consented, without admitting or denying the allegations of the Complaint, 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, to the entry of

findings and violations consistent with the allegations of the Complaint, and to the imposition of the sanctions set forth below, and fully understands that this Order will become part of Respondent's permanent disciplinary record and may be considered in any future actions brought by FINRA.

BACKGROUND

From November 11, 2009 through January 24, 2011, Barnhardt was registered with FINRA through Santa Rita Partners, Inc. (Firm), a FINRA member, as a General Securities Representative. In or about November 2009, Barnhardt, through his company Power Research Corporation, became a shareholder of the Firm. The Firm's Form BD was also amended in November 2009, to reflect Barnhardt's indirect ownership in the Firm. In April 2010, he was added to the Form BD as vice-president and a control person of the Firm. On January 24, 2011, the Firm filed a Form U5 stating that Barnhardt was terminated based upon allegations made in a California Department of Corporations (CDOC) civil lawsuit pending in the Superior Court, State of California, Case Number BC 453286 (CDOC Action). Barnhardt is not currently associated with a FINRA member.

FINDINGS AND CONCLUSIONS

It has been determined that the Offer be accepted and that findings be made as follows:

According to the CDOC Action, the defendants, including Barnhardt, raised approximately \$15,000,000.00 from at least 337 investors from February 2004 through at least December 2009 through the sale of securities. The securities, in the form of membership units in certain limited liability companies (Funds), were not qualified, nor exempt from qualification, and were offered and sold to the investors through a general solicitation in violation of the California Corporations Code Section 25000 et seq.

The CDOC Action also alleged that a portion of the investor funds were used in a manner inconsistent with the offering documents, including among other things, transfers in excess of \$1,000,000.00 for personal expenses of the defendants.

The court in the CDOC Action issued an injunction, which included an asset freeze and appointment of a receiver over the CDOC Action defendants' assets, including Barnhardt's, for the benefit of the investors in the Funds.

Pursuant to a stipulated judgment dated October 30, 2012 (Stipulated Judgment), Barnhardt, without admitting or denying any of the material allegations in the CDOC Action, consented to the entry of judgment, permanently enjoining him from, among other things, violating California Corporations Code Sections 25110 and 25401. He also agreed to forfeit certain monies recovered by the receiver.

Although Barnhardt is no longer registered or associated with a FINRA member, he remains subject to FINRA's jurisdiction for purposes of this proceeding, pursuant to Article V, Section 4 of FINRA's By-Laws, because (1) the Complaint was filed within two years after the effective date of termination of Barnhardt's registration with a FINRA member, namely, January 24, 2011 and (2) the Complaint charges him with failing to appear for on-the-record testimony during the two-year period after the date upon which he ceased to be registered or associated with a FINRA member.

CAUSE OF ACTION
(Failure to Appear and Provide On-the-Record Testimony)
(FINRA Rules 8210 and 2010)

In or about February 2011, FINRA initiated an examination concerning possible violation of securities laws and FINRA Rules. In connection with that examination, FINRA requested that Respondent Barnhardt appear and provide on-the-record testimony.

November 30, 2011 Request

On November 30, 2011, the staff sent to Barnhardt by first class mail, a request pursuant to FINRA Rule 8210, that he appear for an OTR and provide testimony on December 22, 2011, at FINRA's Los Angeles office.

The letter was sent to Barnhardt's residential address of record in the Central Registration Depository, which was located in Culver City, CA (CRD Address). The letter was also sent via email to Barnhardt's email address (Email Address).

The first class letter was not returned and Barnhardt confirmed with FINRA staff his intention to appear on December 22, 2011, for his OTR.

Barnhardt did appear at FINRA office for the OTR on December 22, 2011. Immediately upon going on the record, Barnhardt stated that he would not testify about any matters related to the CDOC action. Thereafter, Barnhardt refused to testify and the staff concluded the OTR.

At that time, the staff informed Barnhardt that his failure to provide testimony as requested pursuant to Rule 8210 might subject him to disciplinary action, including a suspension or bar.

November 9, 2012 Request

On November 9, 2012, Barnhardt informed FINRA staff that he would testify at an OTR as he had settled the CDOC Action.

On November 9, 2012, the staff sent a letter to Barnhardt, by first class and certified mail to his CRD Address, pursuant to FINRA Rule 8210, requesting that Barnhardt appear for an OTR and provide sworn testimony on December 13, 2012 at FINRA's Los Angeles office. Staff also sent the letter to his Email Address.

The first class letter and certified letter sent to the CRD Address were not returned.

In response to the staff's inquiry, Barnhardt confirmed with staff on December 3, 2012 via telephone that he would appear and testify on December 13, 2012.

The staff sent an email confirmation to Barnhardt on December 3, 2012. On December 6, 2012, the staff received a reply to its email from Barnhardt wherein he stated:

“As you know my license is set to expire in just over a month.

I do not plan to keep my license active. I will not be attending

the Dec. 13th appointment. Regards, Aaron Barnhardt.”

Barnhardt did not appear for his OTR on December 13, 2012.

Barnhardt's failure to testify has impeded staff's ability to investigate this matter and determine whether he violated applicable laws, rules and regulations.

Based on the foregoing, Respondent violated FINRA Rules 8210 and 2010.

Based on these considerations, the sanctions hereby imposed by the acceptance of the Offer are in the public interest, are sufficiently remedial to deter Respondent from any future

misconduct, and represent a proper discharge by FINRA, of its regulatory responsibility under the Securities Exchange Act of 1934.

SANCTIONS

It is ordered that Respondent be suspended for two-years from association with any FINRA member in any capacity.

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

SO ORDERED.

FINRA

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



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