Division of Securities
Utah Department of Commerce
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Salt Lake City, Utah 84114-6760
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BEFORE THE DIVISION OF SECURITIES
OF THE DEPARTMENT OF COMMERCE
OF THE STATE OF UTAH

IN THE MATTER OF:	**PETITION TO REVOKE LICENSES, BAR LICENSEE AND IMPOSE A FINE**
AARON GRAHAM, CRD#3167246	**Docket No.** SD-07-0084
Respondent.	

Pursuant to the authority of Utah Code Ann. § 61-1-6, the Utah Division of Securities ("Division") hereby issues this petition seeking an Order, subject to the approval of a majority of the Securities Advisory Board, revoking the broker-dealer agent and investment adviser representative licenses of Aaron Graham ("Graham"), CRD#3167246, barring Graham from the securities industry, and imposing a fine. In support of this petition, the Division alleges:

STATEMENT OF FACTS

1. Graham has been licensed in Utah as a broker-dealer agent with United Planners' Financial Services of America, LP ("United Planners"), CRD#20804, since August 2, 2005. Prior to that time, Graham was licensed with Raymond James Financial Services ("RJFS"), from

January 9, 2004 through May 6, 2005. Graham was licensed with UBS Financial Services, Inc. ("UBS") from August 31, 2001 through January 9, 2004, and before that, with Prudential Securities Incorporated ("Prudential"), from November 30, 1998 through August 31, 2001.

2. Graham is also currently licensed as an investment adviser representative of a federal-covered investment adviser, AG Financial, LLC ("AG Financial"), CRD#140226, which is solely-owned by Graham. From May 1, 2005 through March 24, 2006 Graham was an investment adviser representative of G2 Financial Group, LLC ("G2"). Graham was an owner of G2. Graham was also licensed as an investment adviser representative of RJFS and UBS while associated with those firms.

3. Central Registration Depository ("CRD")[1] records indicate that Graham maintains residences in both Arizona and Utah.

4. Graham has taken and passed the Series 7, General Securities Representative Licensing Examination; the Series 24, General Securities Principal Licensing Examination; the Series 9, General Securities Sales Supervisor Licensing Examination; the Series 63, Uniform Securities Agent State Law Examination; and the Series 65, Uniform Investment Adviser Law Examination.

5. Since 1999, Graham has also been licensed in Utah as an insurance agent.

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[1]CRD is a computerized database maintained by the Financial Industry Regulatory Authority ("FINRA"). CRD contains employment, licensing and disciplinary information on broker-dealers, agents, investment advisers and investment adviser representatives.

6. In a letter dated October 27, 2006, a former partner of Graham's from G2 complained that Graham had placed clients in variable annuities without their knowledge. The letter was accompanied by complaint letters from six of Graham's clients, all of whom alleged that Graham had made unauthorized purchases of variable annuities, against each client's clear instructions to Graham.

The Division conducted an examination which revealed the following:

Falsifying of Client Documentation

A.M. Account

7. After being solicited by Graham, in May 2003 A.M. opened an account with him at UBS. On July 9, 2003, a letter was submitted to UBS authorizing Graham to effect an account transfer[2] of moneys into A.M.'s account. The letter was typewritten on UBS letterhead. It was addressed to Graham and was purportedly authored and signed by A.M.

8. Although the letter bears her name and signature, A.M. did not write or sign the letter, and did not authorize any party to write or sign the letter on her behalf.

9. The letter was submitted to a forensic document examiner ("document examiner") and compared with known samples of A.M.'s signature. The document examiner concluded that the signature on the July 9, 2003 letter "is an attempt by someone to simulate the handwriting habits" of A.M. The document examiner further noted that the July 9, 2003 document signature "shows slowness and deliberateness in execution, misinterpretation in handwriting

[2]By divorce decree, A.M. had recently received approximately $1.5 million in securities from her ex-husband's various securities accounts.

features, hesitation, possible pen lifts, overall uniform pen pressure and poor line quality. All these characteristics are consistent with simulation."

10. When compared with a known sample of Graham's signature, the document examiner concluded that the "A" in A.M.'s first name on the July 9, 2003 document was similar to the "A" contained in Graham's first name on his signature sample.

W.B. Account

11. In January 2004, W.B. opened an account with Graham at RJFS. W.B. invested more than $2.2 million with Graham in a brokerage account which also paid Graham and RJFS "asset management services" fees on a quarterly basis.

12. Among documents relating to W.B.'s account is a Tax Qualified Annuity Purchase Disclosure Form ("Disclosure Form"), the purpose of which is for the client to acknowledge the client is purchasing an annuity contract with moneys which are already tax-deferred, usually from an Individual Retirement Account (IRA) or other tax-qualified retirement plan. The Disclosure Form further discloses that annuity products may have higher fees and expenses than with IRAs or retirement plan products, and that the investor should carefully consider such costs before purchasing an annuity.

13. The Disclosure Form bears W.B.'s purported signature, with a signing date of September 3, 2004. It also has Graham's signature.

14. W.B. did not, however, sign the form, and did not authorize any party to sign on his behalf.

15. The Disclosure Form was submitted to the document examiner and compared with known samples of W.B.'s signature. The document examiner concluded that the signature on the

Disclosure Form was "probably not written by" W.B. The questioned signature shows different beginning and ending strokes in letters, differences in overall slant of execution and angularity of the writing, and in the skill and line quality of the writing. The probable finding "is synonymous with being reasonably certain of not being written by the same writer."

Unauthorized Transactions

A.M. Account

16. After she opened her account with Graham, A.M. received half of all shares held in her ex-husband's brokerage accounts. Approximately 200 different stocks and bonds valued at approximately $1.5 million were transferred into the UBS account from several different brokerage firms.

17. At the time, A.M. was a single mother raising three minor children, and was not employed outside the home. She had no experience with securities and told Graham she was only interested in safe and liquid investments.

18. Graham told her he understood and would invest her funds accordingly.

19. Soon thereafter, without any discussion with A.M., and without her authorization, Graham proceeded to liquidate all the securities in the account, with the exception of three stocks and eleven municipal bonds, and purchased two Manulife variable annuities with the proceeds – one in the amount of $1,460,000 and the other for $50,000 – investing a total of $1,510,000 – between May and July, 2003.

20. A.M. never received a prospectus or any other information about the Manulife products, and Graham never told her he had purchased two variable annuities. The policies were never

delivered to her. A.M. was likewise not made aware of the significant commissions paid to Graham and his partner William R. Gould, CRD#3166082 – approximately $74,745 – or the costs, fees, expenses, and risks involved with an annuity purchase. In addition, the liquidation of A.M.'s account holdings generated approximately $19,000 in commissions.

21. In late 2004, A.M. contacted Graham and requested a withdrawal of $400,000, which she planned to invest elsewhere. Graham told her he would get her the money. Graham withdrew the money from A.M's variable annuity. On December 10, 2004, when the withdrawal took place, a surrender charge of $16,200 was incurred. When A.M. called Graham to inquire, he indicated he had "forgotten" to tell her that sometimes there is a fee for such withdrawals. He made no mention that she was invested in an annuity, and did not otherwise explain why the fees were incurred.

22. In January 2005, again without authorization or consent, Graham purchased variable annuities for each of A.M's three minor children. A.M. only became aware of these investments because she received documents in the mail from the insurance company that issued the annuities. After speaking with another financial adviser, she canceled the policies during the "free-look" period and received all of her principal back without any penalty.

23. In spring 2005, having lost confidence and trust in Graham, A.M. liquidated the Manulife annuities, paying approximately $56,800 in surrender charges (in addition to the previous charges of $16,200).

W.B. Account

24. When he invested with Graham, W.B. specifically informed Graham that he was not interested in purchasing any annuity products.

25. After discussing recent market volatility with Graham, W.B. believed the account would be invested in safe and conservative investments such as government bonds and/or a money market. W.B. trusted that Graham would only make investments in W.B.'s best interests.

26. Despite W.B.'s clear instructions, and without W.B.'s knowledge, Graham in fact invested almost $2 million in two variable annuities, including $1,296,037.00 of already-tax-deferred IRA money. A total of $101,797.89 was paid in commissions from these transactions.

27. In addition, W.B.'s accounts were asset-based accounts which paid Graham and RJFS quarterly fees totaling $26,652.65 over a fifteen month period.

FIRST CAUSE OF ACTION
Securities Fraud under § 61-1-1(3) of the Act

Falsifying Client Signatures

28. Graham violated Section 61-1-1(3) of the Act by falsifying the signatures of A.M. and W.B. on client documents, which conduct constitutes an act, practice, or course of business which operated as a fraud or deceit upon A.M., W.B., his broker-dealers, and the annuity companies, and exposed his broker-dealers and the annuity companies to civil liability.

Unauthorized Transactions

29. Graham violated Section 61-1-1(3) of the Act by liquidating nearly all of the securities held in A.M.'s account without her authorization, and purchasing two annuities, also without her authorization.

30. Graham violated Section 61-1-1(3) of the Act by purchasing annuities for A.M.'s three minor children without A.M.'s authorization or consent.

31. Graham violated Section 61-1-1(3) by purchasing two annuities in W.B.'s accounts without his authorization and contrary to W.B.'s express instructions.

SECOND CAUSE OF ACTION
Securities Fraud under § 61-1-1(2) of the Act

32. Graham violated Section 61-1-1(2) of the Act by omitting to disclose material facts to his client A.M., including but not limited to, the following:

    a. he would liquidate nearly every stock and bond held in her account;

    b. he would purchase variable annuities with the proceeds;

    c. he would purchase variable annuities for each of her three minor children;

    d. the significant commissions involved in the purchase of the annuities;

    e. the additional costs, fees and expenses of an annuity and holding periods to avoid significant surrender fees; and

    f. variable annuities were not suitable for A.M. given her investment objective of liquidity.

33. Graham violated Section 61-1-1(2) of the Act by omitting to disclose material facts to his client W.B, including but not limited to, the following:

a. he would purchase variable annuities, contrary to W.B.'s specific instructions;

b. the significant commission involved in the purchase of the annuities, in addition to "asset management services" fees charged to the account; and

c. the additional costs, fees, and expenses of an annuity and holding periods to avoid significant surrender fees.

d. variable annuities were not suitable for W.B. given his investment objectives, financial situation, and needs, including that much of W.B.'s portfolio was already tax-deferred IRA money.

THIRD CAUSE OF ACTION
Dishonest or Unethical Practices under § 61-1-6(2)(g) of the Act

34. Graham's unauthorized liquidation of A.M.'s securities, and unauthorized purchases of annuities in A.M.'s and her childrens' accounts as described above are dishonest or unethical practices as proscribed by Utah Admin. Code Rules R164-6-1g(C)(4) and (C)(5), both of which are made applicable to broker-dealer agents through (D)(7).

35. Graham's unauthorized purchase of an annuity in W.B.'s account as described above is a dishonest or unethical practice as proscribed by Utah Admin. Code Rule R164-6-1g(C)(4) and (C)(5), applicable to agents through (D)(7).

36. The near-entire liquidation of A.M.'s securities portfolio, subsequent purchases of variable annuities, and attempted purchases of annuities for her children were unsuitable

transactions given A.M.'s objectives, financial situation, and needs, which conduct constitutes dishonest or unethical practices as proscribed by Utah Admin. Code Rule R164-6-1g(C)(3), applicable to agents through (D)(7).

37. The variable annuities purchased by Graham in W.B.'s accounts were likewise unsuitable given W.B.'s objectives, financial situation, and needs, and especially unsuitable given that W.B. had earlier told Graham that he already had a small annuity and did not wish to purchase any other annuities. Moreover, most of the money in W.B.'s account was already tax-deferred IRA money. Graham's actions constitute dishonest or unethical practices as proscribed by Utah Admin. Code Rule R164-6-1g(C)(3), applicable to agents through (D)(7).

38. Graham's falsifying of client signatures constitutes a dishonest or unethical practice as proscribed by Utah Admin Code Rule R164-6-1g.

FOURTH CAUSE OF ACTION
Willful Violations under § 61-1-6(2)(b) of the Act

39. Graham's misconduct as set forth above constitutes willful violations of the Act and rules promulgated pursuant to the Act, warranting sanctions under Section 61-1-6(2)(b) of the Act.

REQUEST FOR RELIEF

The Division requests that, based upon Graham's willful violations of the Act, pursuant to § 61-1-6 of the Act and subject to the approval of the Securities Advisory Board, the Presiding Officer enter an order revoking the broker-dealer agent and investment adviser representative

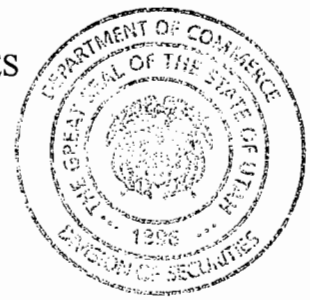
licenses of Graham, barring him from association with any broker-dealer or investment adviser licensed in this state, and fining him $300,000, with dollar-for-dollar credit for any moneys paid back to A.M. and W.B.

DATED this 5th day of December, 2007.

UTAH DIVISION OF SECURITIES

Wayne Klein

Wayne Klein
Director



Approved:

D. Scott Davis

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Assistant Attorney General

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BEFORE THE DIVISION OF SECURITIES
OF THE DEPARTMENT OF COMMERCE
OF THE STATE OF UTAH

IN THE MATTER OF: **AARON GRAHAM, CRD#3167246** **Respondent.**	**NOTICE OF AGENCY ACTION** **Docket No.** SD-07-0084

THE DIVISION OF SECURITIES TO THE ABOVE-NAMED RESPONDENTS:

The purpose of this Notice of Agency Action is to inform you that the Utah Division of Securities hereby commences a formal adjudicative proceeding against you as of the date of mailing of this Notice. The authority and procedure by which this proceeding is commenced are provided by Utah Code Ann. §§ 63-46b-3 and 63-46b-6 through -11. The facts on which this action is based are set forth in the accompanying Petition. You may be represented by counsel or you may represent yourself in this proceeding.

You must file a written response with the Division within thirty (30) days of the mailing date of this Notice. Your response must be in writing and signed by you or your representative. Your response must include the file number and name of the adjudicative proceeding, your version of the facts, a statement of what relief you seek, and a statement summarizing why the

relief you seek should be granted. Utah Code Ann. § 63-46b-6(1). In addition, pursuant to Utah Code Ann. § 63-46b-6(3), the presiding officer requires that your response:

(a) admit or deny the allegations in each numbered paragraph of the Petition, including a detailed explanation for any response other than an unqualified admission. Allegations in the Petition not specifically denied are deemed admitted;

(b) identify any additional facts or documents which you assert are relevant in light of the allegations made; and

(c) state in short and plain terms your defenses to each allegation in the Petition, including affirmative defenses, that were applicable at the time of the conduct (including exemptions or exceptions contained within the Utah Uniform Securities Act).

After your response is filed, a pre-hearing conference will be held. Utah Admin. Code R151-46b-9(9). The purpose of the pre-hearing conference is to enter a scheduling order addressing discovery, disclosure, and other deadlines, including pre-hearing motions, and to set a hearing date to adjudicate the matter alleged in the Petition.

Your response, and any future pleadings or filings that should be part of the official files in this matter, should be sent to the following:

Signed originals to:
Administrative Court Clerk
c/o Pam Radzinski
Utah Division of Securities
160 E. 300 South, 2nd Floor
Box 146760
Salt Lake City, UT 84114-6760
(801) 530-6600

A copy to:
D. Scott Davis
Assistant Attorney General
160 E. 300 South, Fifth Floor
Box 140872
Salt Lake City, UT 84114-0872
(801) 366-0310

If you fail to file a response, as described above, or fail to appear at any hearing that is set, the presiding officer may enter a default order against you without any further notice. Utah Code Ann. § 63-46b-11; Utah Admin. Code R151-46b-10(11). After issuing the default order, the presiding officer may grant the relief sought against you in the Petition, and will conduct any further proceedings necessary to complete the adjudicative proceeding without your participation and will determine all issues in the proceeding. Utah Code Ann. § 63-46b-11(4); Utah Admin. Code R151-46b-10(11)(b). In the alternative, the Division may proceed with a hearing under § 63-46b-10.

The presiding officer in this case is Benjamin Johnson, Director, Corporate Finance, Division of Securities. An administrative law judge will be assigned to hear this matter. At any hearings, the Division will be represented by the Attorney General's Office. You may appear and be heard and present evidence on your behalf at any such hearings.

You may attempt to negotiate a settlement of the matter without filing a response or proceeding to hearing. To do so, please contact the Utah Attorney General's Office. Questions regarding the Petition should be directed to Scott Davis, Assistant Attorney General, 160 E. 300 South, Fifth Floor, Box 140872, Salt Lake City, UT 84114-0872, Tel. No. (801) 366-0310.

Dated this 5th day of December, 2007.

Benjamin Johnson
Presiding Officer
Division of Securities
Utah Department of Commerce

Certificate of Mailing

I certify that on the 5TH day of DECEMBER, 2007, I mailed, by certified mail, a true and correct copy of the Notice of Agency Action and Petition to:

Aaron Graham
6080 Parklane South #54
Park City, UT 84098

Certified Mail # 7005 1820 0003 7190 6649

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Attn: Douglas C. Hall, Vice President, Compliance
7333 E. Doubletree Ranch Road #120
Scottsdale, AZ 85258-2023

Certified Mail # 7007 2560 0000 5773 1660

PAMALA RODZINSKI
Executive Secretary