

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2017053139401**

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

RE: John-Aaron Lenhart, Respondent
General Securities Representative
CRD No. 5989046

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, I, John-Aaron Lenhart ("Lenhart" 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

Lenhart entered the securities industry in September 2011 when he became associated with Morgan Stanley ("Morgan Stanley" or the "Firm"), a FINRA-regulated broker-dealer. In November 2011, Lenhart became registered with the Firm as a General Securities Representative ("GSR").

In a Uniform Termination Notice for Securities Industry Registration ("Form U5") dated February 3, 2017, Morgan Stanley reported the termination of Lenhart's employment for "undisclosed outside financial transactions between the financial advisor and three clients of the firm."

Lenhart is not currently associated with a FINRA-regulated broker-dealer; however, he remains subject to FINRA's jurisdiction pursuant to Article V, Section 4(a) of FINRA's By-Laws.

RELEVANT DISCIPLINARY HISTORY

Lenhart has no prior disciplinary history.

OVERVIEW

Between December 2013 and September 2015 (the "Relevant Period"), Lenhert borrowed a total of \$44,700 from three of his Firm customers (the "Loans") without providing prior notice to, and receiving written approval from, the Firm, in violation of FINRA Rules 3240 and 2010.

Lenhert also made misrepresentations to the Firm regarding the Loans in two annual compliance questionnaires and during the Firm's internal investigation, in violation of FINRA Rule 2010.

FACTS AND VIOLATIVE CONDUCT

A. Lenhert Borrowed Funds from Three Firm Customers

FINRA Rule 3240(a) prohibits a registered person from borrowing or lending money to his or her customer unless (1) the registered person's FINRA-regulated broker-dealer employer has written procedures permitting the borrowing from, and lending of money to, customers, and (2) the borrowing or lending arrangement meets at least one of five circumstances specified in the rule. Even if these requirements are satisfied, the registered representative must seek prior approval from the firm, and the member employer firm must pre-approve the arrangement in writing, unless the firm's procedures provide otherwise.

FINRA Rule 2010 requires each FINRA member and its associated persons "to observe high standards of commercial honor and just and equitable principles of trade." A violation of FINRA Rule 3240 is a violation of FINRA Rule 2010.

During the Relevant Period, the Firm's written supervisory procedures ("WSPs") prohibited GSRs from borrowing money from, or lending money to, Firm customers unless the customer was also a member of the GSR's immediate family.

During the Relevant Period, Lenhert borrowed a total of \$44,700 from three Firm customers. Lenhert was the GSR assigned to each of the Firm customer's accounts at the time he borrowed the funds.

Lenhert borrowed a total of \$29,700 from Firm customer RS through a series of loans taken during the period of December 2013 through May 2015 pursuant to an oral agreement that Lenhert would repay the loans with 6% interest. Lenhert repaid a total of \$13,060 of the \$29,700 he borrowed from RS.

In July 2015, Lenhert borrowed a total of \$9,500 from Firm customer JG pursuant to a promissory note providing for 31.5% interest rate and monthly payments of \$250. Lenhert repaid customer JG in full plus interest.

In or about September 2015, Lenhert borrowed \$5,500 from Firm customer IM. Lenhert

repaid a total of \$2,000 of the \$5,500 he borrowed from IM.

Lenhert did not seek prior approval for, or disclose his receipt of the Loans to Morgan Stanley, until questioned by the Firm.

By virtue of the foregoing, Lenhert violated FINRA Rules 3240 and 2010.

B. Lenhert Made False Statements to the Firm

Providing false or misleading information to a FINRA-regulated broker-dealer violates FINRA Rule 2010.

In 2015 and 2016, in its annual compliance questionnaires, the Firm required its employees to disclose, in writing, any loans received from or made to Firm customers, prospective customers or Morgan Stanley employees.

On October 13, 2015 and May 11, 2016, Lenhert completed annual compliance questionnaires in which he stated that he had not borrowed money from, or loaned money to, any Firm client in the last 24 months, even though Lenhert borrowed money from Firm customer RS commencing in December 2013, and from Firm customers JG and IM in July 2015 and September 2015, respectively.

In addition, in December 2016, when interviewed by the Firm during its internal investigation, Lenhert told the Firm that none of the Loans were documented by a promissory note and that he received some of the loans from Firm customer RS prior to his employment with Morgan Stanley. These statements were false.

By virtue of the foregoing, Lenhert violated FINRA Rule 2010.

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

1. A five-month suspension from association with any FINRA member in any and all capacities; and
2. A fine in the amount of \$7,500.

The fine shall be due and payable either immediately upon re-association 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.

I specifically and voluntarily waive any right to claim that I am unable to pay, now or at any time hereafter, the monetary sanction imposed in this matter.

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 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

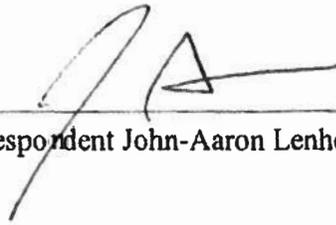
C. If accepted:

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.

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 understand and acknowledge that FINRA does not represent or advise me and I cannot rely on FINRA or FINRA staff members for legal advice; 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.

10/9/2018
Date (mm/dd/yyyy)


Respondent John-Aaron Lenhert

Accepted by FINRA:

Oct 10, 2018

Date

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

Radhika Bhargava

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