

**UNITED STATES OF AMERICA**  
**Before the**  
**SECURITIES AND EXCHANGE COMMISSION**

**SECURITIES EXCHANGE ACT OF 1934**  
**Release No. 93105 / September 23, 2021**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-20593**

**In the Matter of**

**Paula Permenter**

**Respondent.**

**ORDER INSTITUTING ADMINISTRATIVE  
AND CEASE-AND-DESIST PROCEEDINGS,  
PURSUANT TO SECTION 15B, SECTION  
21C, AND RULE 15Bc4-1 OF THE  
SECURITIES EXCHANGE ACT OF 1934,  
MAKING FINDINGS, AND IMPOSING  
REMEDIAL SANCTIONS AND A CEASE-  
AND-DESIST ORDER**

**I.**

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative and cease-and-desist proceedings be, and hereby are, instituted pursuant to Section 15B, Section 21C, and Rule 15Bc4-1 of the Securities Exchange Act of 1934 (“Exchange Act”) against Paula Permenter (“Permenter” or “Respondent”).

**II.**

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the “Offer”) which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over her and the subject matter of these proceedings, which are admitted, and except as provided herein in Section V, Respondent consents to the entry of this Order Instituting Administrative and Cease-And-Desist Proceedings, Pursuant to Section 15B, Section 21C, and Rule 15Bc4-1 of the Securities Exchange Act of 1934, Making Findings, and Imposing Remedial Sanctions and a Cease-And-Desist Order (“Order”), as set forth below.

### III.

On the basis of this Order and Respondent's Offer, the Commission finds<sup>1</sup> that:

#### Summary

1. This matter concerns misconduct by Paula Permenter, a partner and founder of Choice Advisors, LLC, ("Choice Advisors") a municipal advisor now registered with the Commission.

2. In 2018, Permenter and Choice Advisors improperly provided municipal advice to two charter school clients without being registered with the Commission or the Municipal Securities Rulemaking Board ("MSRB") as a municipal advisor. Choice Advisors' attorney had specifically advised Permenter not to provide municipal advisory services until after Choice Advisors was registered and that, if she nevertheless engaged in such services prior to Choice Advisors being registered, she should disclose Choice Advisors' unregistered status to her clients. Permenter ignored this guidance and improperly provided municipal advice to two charter schools, each a first-time borrower, in municipal bond offerings prior to Choice Advisors' registration. She also failed to disclose to either client that Choice Advisors was not registered with the Commission or the MSRB and was therefore was not allowed to provide municipal advisory services.

3. On these same two bond offerings, Permenter entered into, and was paid according to the terms of, an impermissible fee-splitting agreement with her former employer, which served as the underwriter on both transactions (the "Underwriter"). Municipal advisors are prohibited from engaging in such fee-splitting arrangements with underwriters. Moreover, Permenter did not adequately disclose the conflicts of interest arising out of the fee-splitting agreement or her prior relationship with the Underwriter to her clients.

4. By providing municipal advice and conducting municipal advisory activities without registering with the Commission and the MSRB, Permenter caused Choice Advisors' violations of Sections 15B(a)(1)(B) and 15B(c)(1) of the Exchange Act and MSRB Rule A-12. By engaging in prohibited fee-splitting with an underwriter, and failing to make full and fair disclosures of the nature of her compensation and material conflicts of interest, Permenter willfully violated, and caused Choice Advisors' violations of, Section 15B(c)(1) of the Exchange Act and MSRB Rule G-42.

#### Respondent

5. **Paula Permenter**, age 53, is a resident of Houston, Texas, and has been a partner and founder of Choice Advisors since May 2018. From October 2013 to May 2018, Permenter was a registered representative of the Underwriter, a broker-dealer registered with the Commission

---

<sup>1</sup> The findings herein are made pursuant to Respondent's Offer of Settlement and are not binding on any other person or entity in this or any other proceeding.

and, in that capacity, Permenter provided underwriting services to issuers and borrowers in municipal securities offerings.

### **Relevant Entity and Individual**

6. **Choice Advisors, LLC**, is a Texas limited liability company with its primary place of business in Houston, Texas. It registered as a municipal advisor with the Commission in August 2018 and with the MSRB in October 2018.

7. **Matthias O’Meara (“O’Meara”)**, age 39, is a resident of Denver, Colorado. He has been a partner and founder of Choice Advisors since May 2018. From June 2014 to May 2018, O’Meara was a registered representative of the Underwriter and, in that capacity, provided underwriting services to issuers and borrowers in municipal securities offerings.

### **Formation of Choice Advisors and Establishment of a Prohibited Fee-Splitting Arrangement**

8. In May 2018, Permenter and O’Meara left their employment at the Underwriter, where they had served as registered representatives responsible for underwriting certain municipal bond offerings. They left to form a new municipal advisory firm, Choice Advisors.

9. When they left the Underwriter, Permenter and O’Meara negotiated an “agreement of fee-splits” with the Underwriter. Pursuant to this agreement, the Underwriter agreed to lower its underwriting fees by an amount equal to the amount that Choice Advisors would then receive as a municipal advisor for anticipated bond transactions that Permenter and O’Meara had each originated while they were employed with the Underwriter. The fee-splitting agreement covered several of Choice Advisors’ clients, including at least two for which Permenter and Choice Advisors ultimately received fees pursuant to the agreement. Both of these two clients were charter schools and first-time borrowers.

10. Neither client had previously sought, or expressed an interest to Permenter in obtaining, the services of a municipal advisor. Rather, Permenter presented the engagement of Choice Advisors to both clients as a way to complete the respective transactions without interruption by her decision to leave her employment with the Underwriter.

11. Permenter did not consult with either client before entering into the fee-splitting arrangement with the Underwriter, and the clients were unaware of the arrangement until Permenter informed them that she was leaving the Underwriter and forming Choice Advisors.

### **Permenter Performs Unregistered Municipal Advisory Activities, and Fails to Disclose Material Conflicts of Interest**

12. In or around February 2018, prior to forming Choice Advisors, Permenter engaged legal counsel to advise as to the steps necessary to start a municipal advisory firm. At this time, and throughout the formation and registration of Choice Advisors, counsel informed Permenter that she

should not provide municipal advisory services to clients until after the firm had registered as a municipal advisor with both the Commission and the MSRB. As discussed below, despite this advice, Permenter provided municipal advice to two clients shortly after her departure from the Underwriter and before Choice Advisors had registered with the Commission or MSRB as a municipal advisor.

13. In June 2018, Permenter informed her counsel that she was formalizing her municipal advisory relationship with one of her clients (“Client #1”) through a written engagement letter and inquired whether she should disclose that Choice Advisors was not yet registered as a municipal advisor. Counsel advised her to disclose the registration status. Despite this, Permenter did not disclose to Client #1 that Choice Advisors was not a registered municipal advisor.

14. The engagement letter to Client #1, sent on or about June 26, 2018, was signed by Permenter and stated that it was being sent pursuant to MSRB Rule G-42. In the letter, Permenter falsely stated that “Choice Advisors does not share fees with any other parties and [sic] any provider of investments or services to the Client.” The letter also misleadingly stated (i) that Choice Advisors was obliged to “fully and fairly disclose...in writing all material actual or potential conflicts of interest that might impair [Choice Advisors’] ability to render unbiased and competent advice” and that Choice had no such “known actual or potential conflicts of interest;” and (ii) municipal advisors are “required to act solely in [the client’s] best interest.” These statements were misleading in light of Permenter’s omissions, including that Permenter and Choice Advisors did, in fact, have conflicts of interest arising out of their relationship with the Underwriter and the fee-splitting agreement, and Permenter was not acting solely in the best interest of her clients by providing them with municipal advice without being registered.

15. Permenter continued to provide municipal advice to Client #1 in the months that followed despite the fact that Choice Advisors was not registered as a municipal advisor.

16. By July 2018, Permenter had begun to provide municipal advisory services to another client subject to the fee-splitting arrangement (“Client #2”). She did not disclose to Client #2 that Choice Advisors was not registered as a municipal advisor, and that she had material conflicts of interest arising out of her fee-splitting arrangement and relationship with the Underwriter.

### **The Two Transactions Close and Permenter Is Paid According to the Terms of the Improper Fee-Splitting Arrangement**

17. On or about August 27, 2018, Choice Advisors completed its registration with the Commission. On or about October 16, 2018, Choice Advisors completed its registration with the MSRB.

18. On or about October 18, 2018, Client #1’s bond offering closed. Choice Advisors was paid for this transaction from the bond proceeds in amounts consistent with the fee-splitting arrangement between Choice Advisors and the Underwriter.

19. Although Permenter had completed much of the municipal advisory work for Client #2 several months earlier, she did not provide an engagement letter to Client #2 until on or about January 2, 2019, at which point Permenter signed and delivered the letter to Client #2. Although this version of the engagement letter disclosed that Permenter had previously been employed by the Underwriter, the engagement letter repeated the same misleading statements and omissions as the engagement letter to Client #1, including that Choice Advisors did not “share fees with...any provider of investments or services to [Client #2]” and that Choice Advisors had no “material actual or potential conflicts of interest.”

20. On or about February 14, 2019, the municipal bond offering for Client #2 closed. Choice Advisors was paid for this transaction from bond proceeds in amounts consistent with the fee-splitting arrangement between Choice Advisors and the Underwriter.

### **Violations**

21. Section 15B(a)(1)(B) of the Exchange Act makes it unlawful for “a municipal advisor to provide advice to or on behalf of a municipal entity or obligated person with respect to municipal financial products or the issuance of municipal securities,” without being registered under the Commission’s final municipal advisor rules.

22. MSRB Rule A-12 states that “each municipal advisor prior to engaging in municipal advisory activities must register with the [MSRB].”

23. MSRB Rule G-42 delineates the core standards of conduct and duties of non-solicitor municipal advisors.<sup>2</sup> Among other things, Rule G-42 establishes that a municipal advisor to an obligated person client shall, in the conduct of all municipal advisory activities for that client, be subject to a duty of care, and that a municipal advisor to a municipal entity client shall, in the conduct of all municipal advisory activities for that client, be subject to a fiduciary duty that includes a duty of loyalty and a duty of care. MSRB Rule G-42 also establishes certain disclosure requirements, including that a municipal advisor must, prior to or upon engaging in municipal advisory activities, provide its client full and fair disclosure in writing of all material conflicts of interest, specifically including any fee-splitting arrangements involving the municipal advisor and any other provider of services to the client. MSRB Rule G-42 further requires that a municipal advisor provide written documentation to its client of the municipal advisory relationship, including, among other things, disclosure of all material conflicts of interest as well as the form and basis of any direct or indirect compensation. Additionally, MSRB Rule G-42 establishes prohibitions against a municipal advisor from engaging in certain activities. Among other things, MSRB Rule G-42 prohibits a municipal advisor from making, or participating in, any fee-splitting arrangement with underwriters on any municipal securities transaction as to which it has provided or is providing advice.

---

<sup>2</sup> See Self-Regulatory Organizations; Municipal Securities Rulemaking Board; Order Granting Approval of a Proposed Rule Change, as Modified by Amendment No. 1 and Amendment No. 2, Consisting of Proposed New Rule G-42, on Duties of Non-Solicitor Municipal Advisors, and Proposed Amendments to Rule G-8, on Books and Records to be Made by Brokers, Dealers, Municipal Securities Dealers, and Municipal Advisors, Release No. 34-7743 (December 23, 2015).

24. Section 15B(c)(1) of the Exchange Act prohibits any municipal advisor from providing “advice to or on behalf of a municipal entity or obligated person with respect to municipal financial products, the issuance of municipal securities, or to undertake a solicitation of a municipal entity or obligated person, in contravention of any rule of the [MSRB].”

25. As a result of the conduct described above, Permenter willfully violated MSRB Rule G-42 and Section 15B(c)(1) of the Exchange Act by engaging in a prohibited fee-splitting arrangement with an underwriter engaged on transactions for which Permenter provided advice, and by failing to provide full and fair disclosure of all material conflicts of interest to her clients.

26. As a result of the conduct described above, Permenter was also a cause of Choice Advisors’ violations of Section 15B(a)(1)(B) of the Exchange Act by failing to register with the Commission as a municipal advisor; MSRB Rule A-12 by failing to register with the MSRB as a municipal advisor; MSRB Rule G-42 by engaging in a prohibited fee-splitting arrangement with an underwriter and failing to provide full and fair disclosure of all material conflicts of interest; and Section 15B(c)(1) of the Exchange Act by engaging in municipal advisor activity in contravention of MSRB Rules A-12 and G-42.

### **Undertakings**

Respondent has undertaken to:

27. Provide a copy of her current Form MA-I, which has been amended to disclose the actions described in the Order (the “Amended Form MA-I”), and the Order, via mail, e-mail, or other such method as may be acceptable to the Commission’s staff, together with a cover letter in a form acceptable to the Commission’s staff: (1) within thirty (30) days of the entry of this Order, to any existing client(s) of Choice Advisors for whom Respondent provides advisory services; (2) should Respondent become associated with a municipal advisor other than Choice Advisors within a period of twelve (12) months from the entry of this Order, within thirty (30) days of the commencement of such an association, to any client(s) of such a municipal advisor for whom Respondent provides or is reasonably anticipated to provide municipal advisory services; and (3) for a period of twelve (12) months after entry of this Order, to any prospective or new municipal advisory clients for whom Respondent is reasonably anticipated to provide advisory services, whether such clients are clients of Choice Advisors or of any other municipal advisor with whom Respondent is associated, in any responses submitted to requests for proposal or requests for qualification, or in the absence of any such responses, prior to the municipal advisor entering into a contract to provide municipal advisory services.

28. Retain a compliance professional, legal counsel, or similar third party, not unacceptable to the Commission staff, to: (1) within sixty (60) days of the entry of this Order, evaluate any existing engagement letters for current municipal advisory clients of Respondent for compliance with the requirements of MSRB Rule G-42 and to recommend any necessary revisions to the letters; and (2) for a period of twelve (12) months after the entry of this Order, evaluate any prospective engagement letter for municipal advisory services provided by

Respondent, prior to the letter's provision to a client, for compliance with the requirements of MSRB Rule G-42 and to recommend any necessary revisions to the letter.

29. Adopt all recommendations made by the compliance professional, legal counsel, or similar third party referenced in paragraph 28 above prior to providing any reviewed engagement letter to a client, provided, however, that Respondent may advise the Commission staff in writing of any recommendations that Respondent considers to be unduly burdensome, impractical, or inappropriate, within fourteen (14) days of receiving such recommendations. Should the Commission staff agree that any proposed recommendations are unduly burdensome, impractical, or inappropriate, Respondent shall not be required to abide by, adopt, or implement those recommendations.

30. Within one hundred and eighty (180) days of the entry of this Order, complete training, not unacceptable to the Commission staff, on the requirements of MSRB Rule G-42, including without limitation the duties of non-solicitor municipal advisors.

31. Certify, in writing, compliance with the undertakings set forth above in paragraphs 27-30. The certification shall identify the undertakings, provide written evidence of compliance in the form of a narrative, and be supported by exhibits sufficient to demonstrate compliance. The Commission staff may make reasonable requests for further evidence of compliance, and Respondent agrees to provide such evidence. The certification and supporting material shall be submitted to LeeAnn G. Gaunt, Chief, Public Finance Abuse Unit, with a copy to the Office of Chief Counsel of the Division of Enforcement, no later than sixty (60) days from the date of the completion of the undertakings.

32. For good cause shown, the Commission staff may extend any of the procedural dates relating to these undertakings. Deadlines for procedural dates shall be counted in calendar days, except that if the last day falls on a weekend or federal holiday, the next business day shall be considered the last day.

#### IV.

In view of the foregoing, the Commission deems it appropriate, and in the public interest, to impose the sanctions agreed to in Respondent Permenter's Offer.

Accordingly, pursuant to Section 15B, Section 21C, and Rule 15Bc4-1 of the Exchange Act, it is hereby ORDERED that:

- A. Respondent Permenter cease and desist from committing or causing any violations and any future violations of Sections 15B(a)(1)(B) and 15B(c)(1) of the Exchange Act; and
- B. Respondent Permenter is censured.
- C. Respondent Permenter shall, within 10 days of the entry of this Order, pay a civil money penalty in the amount of \$26,000, of which \$6,500 shall be transferred to the MSRB in

accordance with Section 15B(c)(9)(A) of the Exchange Act, and of which the remaining \$19,500 shall be transferred to the general fund of the United States Treasury, subject to Exchange Act Section 21F(g)(3). If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. § 3717.

Payment must be made in one of the following ways:

- (1) Respondent may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;
- (2) Respondent may make direct payment from a bank account via Pay.gov through the SEC website at <http://www.sec.gov/about/offices/ofm.htm>; or
- (3) Respondent may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center  
Accounts Receivable Branch  
HQ Bldg., Room 181, AMZ-341  
6500 South MacArthur Boulevard  
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying Permitter as a Respondent in these proceedings, and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to LeeAnn G. Gaunt, Chief, Public Finance Abuse Unit, Securities and Exchange Commission, 33 Arch Street, 23rd Floor, Boston, MA 02110-1424.

D. Amounts ordered to be paid as civil money penalties pursuant to this Order shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Respondent agrees that in any Related Investor Action, she shall not argue that she is entitled to, nor shall she benefit by, offset or reduction of any award of compensatory damages by the amount of any part of Respondent's payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Respondent agrees that she shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the Securities and Exchange Commission. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed in this proceeding. For purposes of this paragraph, a "Related Investor Action" means a private damages action brought against Respondent by or on behalf of one or more investors based on substantially the same facts as alleged in the Order instituted by the Commission in this proceeding.



E. Respondent Permenter shall comply with the undertakings enumerated in paragraphs 27 to 32, above.

**V.**

It is further Ordered that, solely for purposes of exceptions to discharge set forth in Section 523 of the Bankruptcy Code, 11 U.S.C. § 523, the findings in this Order are true and admitted by Respondent, and further, any debt for disgorgement, prejudgment interest, civil penalty or other amounts due by Respondent under this Order or any other judgment, order, consent order, decree or settlement agreement entered in connection with this proceeding, is a debt for the violation by Respondent of the federal securities laws or any regulation or order issued under such laws, as set forth in Section 523(a)(19) of the Bankruptcy Code, 11 U.S.C. § 523(a)(19).

By the Commission.

Vanessa A. Countryman  
Secretary