

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2010023612304**

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

RE: Jimmy Wayne Freeman, Respondent
CRD No. 3240344

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Respondent submits 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 Respondent alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. Respondent hereby accepts and consents, 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

Jimmy Wayne Freeman entered the securities industry in May 1999 with PlanMember Securities Corporation (PlanMember), and remained registered with PlanMember until July 2011. Freeman holds Series 6, Series 63, and Series 65 licenses. Although Freeman is no longer registered or associated with a FINRA member, he remains subject to FINRA's jurisdiction for purposes of this AWC, pursuant to Article V, Section 4 of FINRA's By-Laws.

RELEVANT DISCIPLINARY HISTORY

Freeman has no prior disciplinary history.

OVERVIEW

Between June 2008 and January 2009 ("the relevant time period"), while registered with PlanMember Securities Corporation (PlanMember), Freeman sold 14 customers more than \$1.6 million worth of "note agreements" from National Life Settlements (NLS), without PlanMember's permission and without holding the appropriate securities license. Freeman, who

received commissions exceeding \$170,000 from the NLS sales, had described the NLS products to his customers as a safe, suitable investment, and had provided sales literature to his customers indicating the same.

In February 2009, the State of Texas filed suit against NLS charging that the NLS note agreements were fraudulent securities that had been distributed to investors through false and misleading sales practices, such as the NLS sales literature that Freeman had distributed to his clients. The sales literature contained numerous unfounded and misleading statements, guaranteed high returns to investors, and failed to identify any risks involved with the investment. The State of Texas received an immediate injunction against NLS and placed all remaining NLS assets into receivership.

During the relevant time period, Freeman violated: NASD Rules 3040 and 2110, and FINRA Rule 2010, by selling NLS note agreements to his customers without permission from his member firm; NASD Rules 2210(d)(1)(A), 2210(d)(1)(B) and 2110, and FINRA Rule 2010, by distributing the false and misleading NLS sales literature to customers; NASD Rules 2310 and 2110, and FINRA Rule 2010, by recommending that his clients invest in the unsuitable NLS products; and NASD Rules 1031 and 2110, and FINRA Rule 2010, by selling securities without the appropriate license.

FACTS AND VIOLATIVE CONDUCT

Throughout the relevant time period, NLS offered two products to investors - a Five Year Note Agreement (the "Secured Note Program") and an Immediate Income Investment Plan (the "I³ Plan"). The Secured Note Program purported to guarantee a 10% interest return at the conclusion of a five year term. The I³ Plan was similar to the Secured Note Program, except it claimed to pay investors a biweekly income. Both the Secured Note Program and the I³ Plan were purported to be secured by thousands of life settlement policies worth billions of dollars. Both plans claimed to place investor funds into a pooled trust account allegedly managed by a third party who was responsible for overseeing the pooled assets and disbursing the interest payments to investors.

NLS sales literature described these note agreements as an investment of money into a common enterprise, with investor funds pooled together and managed by a third party, and with the guarantee of profits in the form of interest payments. As such, these NLS note agreements were securities, thus requiring a seller to possess a Series 7 license. Freeman has never held a Series 7 license.

On June 9, 2008, while registered with PlanMember, Freeman entered into a written contract with NLS to sell note agreements. Freeman did not provide notice to PlanMember, nor did he receive permission from PlanMember, to engage in any activities related to NLS.

Freeman distributed NLS sales literature and sold NLS products to 14 clients from June 2008 through January 2009. Freeman made the following NLS sales:

- June 18, 2008, sold \$42,282.90 worth to AL, receiving \$5,285.36 in commissions;
- July 12, 2008, sold \$323,692.10 worth to JS, receiving \$40,461.51 in commissions;
- July 15, 2008, sold \$150,000 worth to DS, receiving \$15,000 in commissions;
- July 15, 2008, sold \$40,787.76 worth to RH, receiving \$4,078.78 in commissions;
- August 6, 2008, sold \$168,950 worth to TR, receiving \$21,118.75 in commissions;
- September 3, 2008, sold \$219,310.36 worth to WR, receiving \$21,997.13 in commissions;
- September 9, 2008, sold \$228,210.68 worth to SN, receiving \$11,401.53 in commissions;
- November 17, 2008, sold \$28,181.11 worth to KP, receiving \$3,522.64 in commissions;
- January 14, 2009, sold \$90,000 worth to SH, receiving \$11,250 in commissions;
- January 14, 2009, sold \$12,000 worth to EH, receiving \$1,500 in commissions;
- January 15, 2009, sold \$60,819.86 worth to TS, receiving \$7,602.48 in commissions;
- January 27, 2009, sold \$200,000 worth to JS, receiving \$20,833.34 in commissions;
- January 28, 2009, sold \$25,000 worth to SG (commission unknown);
- January 30, 2009, sold \$50,000 worth to KN, receiving \$6,250 in commissions;

By selling NLS note agreements to these customers away from his firm, Freeman violated NASD Rules 3040 and 2110, and FINRA Rule 2010. Additionally, Freeman violated NASD Rules 1031 and 2110, and FINRA Rule 2010, because he lacked the proper license, a Series 7, to sell these securities.

Freeman's customers invested in NLS note agreements solely based upon Freeman's recommendation. Freeman represented that the NLS products were safe and the notes guaranteed a high return within five years. Freeman, however, lacked any factual basis to make these claims - Freeman did not have any experience with NLS products and failed to conduct adequate due diligence. Freeman had not been introduced to NLS until 2008 and had never before sold a promissory note purportedly funded by life settlements. Yet, without any reasonable basis to do so, Freeman recommended NLS note agreements to his customers as a safe investment.

In doing so, Freeman violated NASD Rules 2310 and 2110, and FINRA Rule 2010.

Further, while recommending NLS investments to his customers, Freeman provided them with NLS sales literature in the form of a tri-fold brochure entitled "Powerful Long-Term Wealth Building Opportunities." The NLS brochure, however, contained several unwarranted and misleading statements, failed to disclose any risks involved in the investments, and guaranteed the products would succeed. For example, the NLS brochure included the following:

- "NLS has put together a one of a kind product that allows an individual or entity to participate in Life Settlements with as little as \$25,000 in a 'Note Agreement' that guarantees a 10% simple interest return (minus a \$500 annual fee) for a 5 year period of time;"

- “We believe that the I³ Plan may exceed any known product in the marketplace at this time;”
- “No financial product in the marketplace today offers the guaranteed return of 10% that NLS provides;”
- “An outstanding return of 10% annually for five years will keep your money growing faster than inflation so that by the time you need it, your purchasing power will not diminish. Your money will have grown 50% in five years (less a \$500 annual fee). This guaranteed return should outpace the inflation risk;”
- “The note agreement is a safe, stable, easy to understand financial tool that is not subject to stock market volatility and provides outstanding returns.”

Such statements helped form the basis of Freeman’s recommendations to his customers, even though Freeman did not verify these NLS claims prior to recommending and selling the note agreements to his customers. Although Freeman did not write these statements or assist in the drafting of the sales literature, he should have known that the statements were misleading.

Freeman thereby violated NASD Rules 2210(d)(1)(A), 2210(d)(1)(B) and 2110, and FINRA Rule 2010, by distributing the false and misleading NLS sales literature to several of his customers.

B. Respondent also consents to the imposition of the following sanctions:

1. To be suspended from associating with any FINRA registrant in any capacity for a period of 12 months;
2. An order to pay restitution in the amount of \$508,185.88, \$453,185.88 of which remains outstanding,¹ as ordered in Respondent’s separate agreement with the Texas State Securities Board, which is incorporated by reference herein. Respondent shall pay full restitution within 90 days of the issuance of this AWC and shall make all restitution payments to the court-appointed Permanent Receiver of National Life Settlements, LLC, pursuant to State of Texas Cause No. D-1-GV-09-000228. Respondent must show proof that all restitution payments were paid within 90 days of the issuance of this AWC before reassociation with a member firm following the suspension noted above, 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. The imposition of a restitution order or any other monetary sanction herein, and the timing of such ordered payments, does not preclude customers from pursuing their own actions to obtain restitution or other remedies. If for any reason Respondent cannot locate any customer to whom restitution is due, after reasonable and documented efforts within such period, or such additional period agreed to by the staff, Respondent shall

¹ As of the execution of this AWC, Respondent had paid \$55,000 of the \$508,185.88 in restitution ordered, leaving an outstanding balance of \$453,185.88 still to be paid.

forward any undistributed restitution and interest to the appropriate escheat, unclaimed property, or abandoned property fund for the state in which the customer is last known to have resided;

3. To pay a \$10,000 fine.

The fine shall be due and payable either immediately upon reassociation with a member firm following the 12 month suspension noted above, 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.

Respondent specifically and voluntarily waives any right to claim that he is unable to pay, now or at any time hereafter, the monetary sanctions imposed in this matter.

Respondent understands that he is suspended from associating with any FINRA member and is 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, Respondent may not be associated with any FINRA member in any capacity, including clerical or ministerial functions, during the period of the 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

Respondent specifically and voluntarily waives the following rights granted under FINRA's Code of Procedure:

- A. To have a Complaint issued specifying the allegations against him;
- 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, Respondent specifically and voluntarily waives 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.

Respondent further specifically and voluntarily waives 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

Respondent understands that:

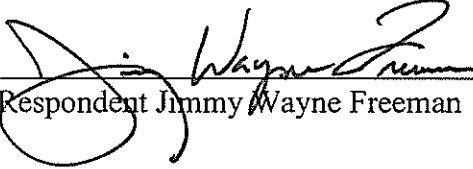
- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs ("ODA"), pursuant to FINRA Rule 9216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against Respondent; and
- C. If accepted:
 - 1. this AWC will become part of Respondent's permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against Respondent;
 - 2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about Respondent's 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. Respondent 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. Respondent 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 Respondent's right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.

- D. Respondent may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Respondent understands that he 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.

Respondent certifies that he has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that he has 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 Respondent to submit it.

2-14-2012
Date


Respondent Jimmy Wayne Freeman

Reviewed by:


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Accepted by FINRA:

February 23, 2012
Date

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

A handwritten signature in cursive script, appearing to read "Lane Thurgood", written over a horizontal line.

Susan Light, Vice President and Chief Counsel
Lane Thurgood, Director
Frank Mazzarelli, Counsel

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