

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2010023612305**

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

RE: Kris Rhoden, Respondent
CRD No. 4360898

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

Respondent Kris Rhoden began in the securities industry in 2001 and holds Series 6, Series 63, and Series 65 licenses. Rhoden was registered with PlanMember Securities Corporation (PlanMember) until his termination on July 15, 2011. Although Rhoden is no longer registered or associated with a FINRA member, he remains subject to FINRA's jurisdiction pursuant to Article V, Section 4 of FINRA's By-Laws.

RELEVANT DISCIPLINARY HISTORY

Rhoden has no prior disciplinary history.

OVERVIEW

Between June 2008 and January 2009 ("the relevant time period"), while registered with PlanMember Securities Corporation (PlanMember), Respondent Kris Rhoden sold 11 customers more than \$2 million worth of "note agreements" offered by National Life Settlements (NLS), without his member firm's permission and without holding the appropriate securities license.

Rhoden, who received commissions exceeding \$230,000 from the NLS sales, had recommended the NLS products to his customers as a safe, suitable investment, and had handed out sales literature 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 Rhoden 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, Rhoden 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 2310 and 2110, and FINRA Rule 2010, for recommending that his clients invest in the unsuitable NLS products; NASD Rules 2210(d)(1)(A) and 2210(d)(1)(B), and 2110, and FINRA Rule 2010, by distributing the false and misleading NLS sales literature; and NASD Rules 1031 and 2110, and FINRA Rule 2010, for 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. Rhoden did not have a Series 7 license during the relevant time period.

In June 2008, Rhoden, while registered with a member firm, entered into a written contract with NLS to sell note agreements. Rhoden did not provide notice to his member firm, nor did he receive permission from his member firm, to engage in any activities related to NLS.

Rhoden distributed NLS sales literature and sold more than \$2 million worth of NLS products to 11 clients from June 2008 through January 2009. Rhoden made the following NLS sales:

- June 10, 2008, sold \$775,000 worth to JA, receiving \$92,620 in commissions;

- August 22, 2008 and January 31, 2009, sold a combined \$426,152.28 worth to MG, receiving a combined total of \$39,138.27 in commissions;
- September 23, 2008, sold \$34,238.10 worth to RS, receiving \$4,108.57 in commissions;
- December 7, 2008, sold \$156,314.43 worth to LG, receiving \$18,757.73 in commissions;
- December 15, 2008, sold \$193,201.19 worth to DN, receiving \$20,022.54 in commissions;
- January 19, 2009, sold \$393,041.92 worth to JO, receiving \$40,505.03 in commissions;
- January 26, 2009, sold \$80,000 worth to MB, receiving \$9,600 in commissions;
- Rhoden also received an “override commission” of \$5,946.03 from the sale of NLS products by an insurance agent affiliated with Rhoden.

Further, in December 2008 and January 2009, Rhoden recommended and sold NLS products to customers BN, BO, MP, and VG, but the transactions were not finalized and due to delays; the State of Texas placed received and injunction against NLS before those sales could be completed. Rhoden never received commissions from those delayed transactions.

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

Rhoden’s customers invested in NLS note agreements solely based upon Rhoden’s recommendation. Rhoden represented that the NLS products were safe and the notes guaranteed a high return within five years. Rhoden, however, conducted insufficient due diligence and lacked sufficient factual basis to make these claims or to provide his clients with a sound basis for evaluating the facts. Rhoden had not been introduced to NLS until 2008 and had never before sold a promissory note purportedly funded by life settlements. Yet, Rhoden recommended NLS note agreements to his customers as a safe and suitable investment.

In doing so, Rhoden made unsuitable recommendations in violation of NASD Rules 2310 and 2110 and FINRA Rule 2010.

Further, while recommending NLS investments to his customers, Rhoden 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 Rhoden’s recommendations to his customers, even though Rhoden did not verify these NLS claims prior to recommending and selling the note agreements to his customers. Rhoden should have known that these statements were misleading.

Rhoden thereby violated NASD Rules 2210(d)(1)(A) and 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 sanction:

To be permanently barred from associating with any FINRA registrant in any capacity.

Respondent understands that he is barred 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 (see FINRA Rules 8310 and 8311).

The sanctions imposed herein shall be effective on a date set by FINRA staff. Pursuant to FINRA Rule 8313(e), a bar or expulsion shall become effective upon approval or acceptance of this AWC.

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

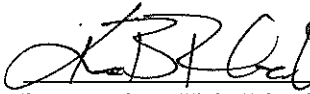
Respondent understands that:

- 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;

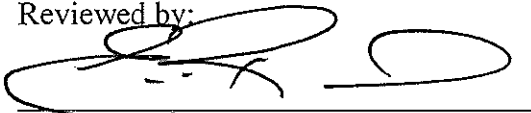
2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about Respondent's disciplinary record;
3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with FINRA Rule 8313; and
4. Respondent may 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.

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.

2/24/2012
Date


Respondent Kris Rhoden

Reviewed by:

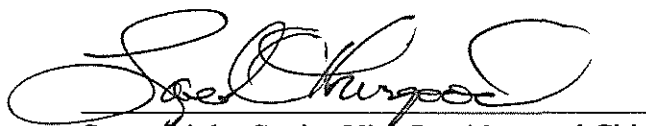


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Accepted by FINRA:

March 12, 2012
Date

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

A handwritten signature in black ink, appearing to read "Susan Light", written over a horizontal line.

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

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