

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2011026622401**

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

RE: David Lee Rhodes, Respondent
General Securities Representative
CRD No. 2620006

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, I 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

David Lee Rhodes ("Rhodes") first became registered as a General Securities Representative (Series 7) with a member firm in August 1998. From May 1999 until February 23, 2011, Rhodes was registered as a General Securities Representative with member firm Lincoln Financial Advisors Corporation ("Lincoln Financial"). Since March 2011, Rhodes has been registered and remains registered as a General Securities Representative with another member firm.

RELEVANT DISCIPLINARY HISTORY

Rhodes has no relevant disciplinary history.

OVERVIEW

Rhodes engaged in two distinct private securities transactions without providing Lincoln Financial prior written notice of the transactions. On separate occasions, Rhodes, through a wholly-owned entity, Summa Services LLC ("Summa"), effected promissory notes with two Lincoln Financial customers in furtherance of the undisclosed transactions. Because the promissory notes were securities, Rhodes was obligated, but failed, to provide prior written notice to Lincoln Financial in violation of NASD Rules 3040 and 2110.

FACTS AND VIOLATIVE CONDUCT

In 2007 and 2008, in addition to serving as a registered securities broker, Rhodes was engaged in the purchase, renovation and rental or resale of real property. When Rhodes originally notified Lincoln Financial of his real estate renovation business in 1999, the firm specifically prohibited him from participating in any transactions to raise capital or to solicit investors.

In August 2007, Rhodes, through Summa, entered into a promissory note for the principal sum of \$30,000, in which Rhodes, through Summa, borrowed funds from customer SH. The repayment of the note was due under a "Profit Participation" plan within ten days after the closing (sale) of the property by which it was secured. Rhodes, through Summa as lender, was obligated to pay the greater of 17.5 percent of the net profit realized on the sale of the property or the initial sum borrowed plus the accrued interest based on 7 percent per annum. Rhodes failed to provide prior written notice to Lincoln Financial that he entered into this private securities transaction.

In March 2008, Rhodes, through Summa, also entered into a promissory note with customer GT for the principal sum of \$25,000. As with customer SH, the note with customer GT was secured by certain real property. The repayment of the note was due under a "Profit Participation" plan within ten days after the closing (sale) of the property by which it was secured. Rhodes, through Summa as lender, was obligated to pay the greater of 15 percent of the net profit realized on the sale of the property or the initial sum borrowed plus the accrued interest based on 7 percent per annum. Rhodes did not provide prior written notice to Lincoln Financial that he entered into this private securities transaction.

NASD Rule 3040 provides that no person associated with a member shall participate in any manner in a private securities transaction without providing prior written notice to his firm "describing in detail the proposed transaction and the person's proposed role therein."

Under NASD Rule 3040(e)(1), a private securities transaction is defined as:

any securities transaction outside the regular course or scope of an associated person's employment with a member, including, though not limited to, new offerings of securities which are not registered with the Commission, provided however that transactions subject to the notification requirements of Rule 3050, transactions among immediate family members (as defined in Rule 2790), for which no associated person receives any selling compensation, and personal

transactions in investment company and variable annuity securities, shall be excluded.

Here, both promissory notes described above were securities under federal law and, accordingly, Rhodes was obligated to provide notice to his firm. By failing to do so, Rhodes therefore violated NASD Rules 3040 and 2110.

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

A suspension for 30 calendar days from associating with any FINRA member firm in any capacity; and,

A fine of \$5,000.

I agree to pay the monetary sanction upon notice that this AWC has been accepted and that such payment is due and payable. I have submitted an Election of Payment form showing the method by which I propose to pay the fine imposed.

I specifically and voluntarily waive any right to claim that I am unable to pay, now or at any time hereafter, the monetary sanction(s) 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 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.

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 response to public inquiries about my 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. 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 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.

5-22-13
Date

David L. Rhodes
David L. Rhodes
Respondent

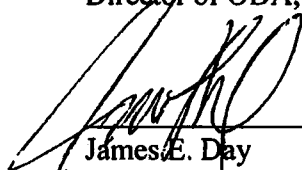
By: _____

Reviewed by:

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Accepted by FINRA:

6/17/13
Date

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



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