

JOHN MORGAN  
SECURITIES COMMISSIONER

CARLA JAMES  
DEPUTY SECURITIES COMMISSIONER

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## Texas State Securities Board

208 E. 10th Street, 5th Floor  
Austin, Texas 78701-2407  
www.ssb.state.tx.us

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IN THE MATTER OF  
THE AGENT AND INVESTMENT  
ADVISER REPRESENTATIVE  
REGISTRATIONS OF  
KRIS BRADFORD RHODEN

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**Order No. IC12-SUS-09**

TO: Kris Bradford Rhoden (CRD No. 4360898)  
8302 Pocono Circle  
Corpus Christi, TX 78414

### DISCIPLINARY ORDER AND UNDERTAKING

Be it remembered that Kris Bradford Rhoden ("Respondent"), appeared before the Securities Commissioner of the State of Texas ("Securities Commissioner") and consented to the entry of this order ("Order") and Undertaking and the Findings of Fact and Conclusions of Law contained herein.

#### FINDINGS OF FACT

1. Respondent has waived (a) Respondent's right to notice and hearing in this matter; (b) Respondent's right to appear and present evidence in this matter; (c) Respondent's right to appeal this Order; and (d) all other procedural rights granted to the Respondent by The Securities Act, TEX. REV. CIV. STAT. ANN. art. 581-1 et seq. (West 2010 & Supp. 2011) ("Texas Securities Act"), and the Administrative Procedure Act, TEX. GOV'T CODE ANN. § 2001.001 et seq. (West 2008 & Supp. 2011) ("Administrative Procedure Act").
2. On or about March 5, 2001, Respondent registered with the Securities Commissioner as an agent of Planmember Securities Corporation ("Planmember"). This registration is currently effective.
3. On or about August 28, 2008, Respondent registered with the Securities Commissioner as an investment adviser representative of Planmember. This registration is currently effective.

### **Sale of National Life Settlement Notes**

4. From in or about June 2008 through in or about February 2009, Respondent engaged in sales of a note agreement ("Note Agreement") and the Immediate Income Investment Plan ("I<sup>3</sup>") issued by National Life Settlements ("NLS") to Texas residents ("Investors").
5. The Note Agreement was purportedly backed by life insurance policies and typically guaranteed a 10% simple interest return for a five (5) year period of time.
6. The I<sup>3</sup> consisted of a five (5) year note, purportedly backed by life insurance policies, and a five (5) year fixed bi-weekly income account<sup>1</sup>.

### **Unregistered Activity**

7. On or about March 2, 2001, Respondent passed the Series 6 written qualification examination.
8. The Series 6 written qualification examination is a limited examination offered in lieu of an examination on general securities principles and restricts agents to deal exclusively in securities issued by open-ended investment companies.
9. The NLS Agreements were not securities issued by open-ended investment companies.
10. Section 12.A of the Texas Securities Act prohibits the sale of a security by an agent without such agent first being registered with the Securities Commissioner as provided by the Texas Securities Act.

### **Failures to Disclose Private Securities Transactions**

11. Planmember's written supervisory procedures prohibited private securities transactions and required Respondent to obtain prior written approval from Planmember before engaging in any securities transaction outside the regular course or scope of Respondent's employment with Planmember.
12. Respondent's sales of the NLS Agreements were outside the regular course or scope of Respondent's employment with Planmember and are thus regarded as private securities transactions.
13. Respondent did not obtain prior written approval from Planmember to sell the NLS Agreements.

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<sup>1</sup> The Note Agreement and I<sup>3</sup> are collectively referred to as the NLS Agreements within the Order.

### **Failures to Disclose Outside Business Activities**

14. Respondent received compensation in the form of commissions for the sales of the NLS Agreements.
15. Planmember's written supervisory procedures required Respondent to obtain prior approval from Planmember by completing an Outside Business Activity Request Form before receiving compensation for services rendered outside the scope of employment with Planmember.
16. Respondent did not complete an Outside Business Activity Request Form to obtain prior approval from Planmember before receiving such compensation for the activity, or services, rendered outside of Respondent's scope of employment with Planmember.
17. Respondent acted as an independent contractor to NLS, which was outside the scope of employment with Planmember.
18. Planmember's written supervisory procedures required Respondent to obtain prior approval from Planmember by completing an Outside Business Activity Request Form before acting as an independent contractor to an outside party.
19. Respondent did not complete an Outside Business Activity Request Form to obtain prior approval from Planmember before acting as an independent contractor to NLS.

### **Completion of the Annual Compliance Questionnaire**

20. Planmember's written supervisory procedures required Respondent to complete an annual compliance questionnaire for the year 2008 (the "Questionnaire") detailing Respondent's securities-related activity.
21. During the time in which Respondent was engaged in the sales of the NLS Agreements, Respondent failed to include Respondent's sales of the NLS Agreements and Respondent's independent contractor relationship with NLS as outside business activities.
22. Respondent also failed to acknowledge in the Questionnaire that he was engaged in the sales of the NLS Agreements.

### **Failure to Update Filing with Securities Commissioner**

23. On or about February 23, 2001, and pursuant to §115.2(a)(2) of the Rules and Regulations of the Texas State Securities Board ("Board Rules") [formerly §115.2(a)(1)], Respondent filed a Uniform Application for Securities Industry Registration and Transfer ("Form U-4") with the Securities Commissioner in connection with his application to become registered with the Securities Commissioner as an agent of Planmember.

24. Item 13 of the Form U-4 requires the disclosure of any other business conducted by the agent, either as a proprietor, partner, officer, director, employee, trustee, agent or otherwise.
25. Section 115.9(a)(6) of the Board Rules required Respondent to report, on the Form U-4, any change in information previously disclosed to the Securities Commissioner on an application form or filing within thirty (30) days of the occurrence of such change.
26. Respondent did not update his Form U-4 within thirty (30) days of beginning to sell the NLS Agreements.

### **Improper Public Correspondence**

27. Respondent, on several occasions from in or about June 2008 through in or about February 2009, corresponded with Planmember clients regarding NLS Agreements via a personal e-mail address. This personal e-mail address had not been disclosed to Planmember.
28. Planmember's written supervisory procedures permitted Respondent to transmit outgoing correspondence with Planmember clients through Planmember sponsored facilities or systems only, and did not allow correspondence to be sent through Respondent's personal computer or other third-party system that would circumvent Planmember review.

### **CONCLUSIONS OF LAW**

1. The NLS Agreements constitute "securities" as the term is defined by Section 4.A of the Texas Securities Act.
2. Respondent's sales of the NLS Agreements were outside the scope of his registration with the Securities Commissioner and were therefore made in violation of Section 12.A of the Texas Securities Act.
3. Respondent's failures to obtain prior written approval from Planmember for Respondent's sales of the NLS Agreements as required by Planmember's written supervisory procedures constitute inequitable practices in the sale of securities.
4. Respondent's failures to complete an Outside Business Activity Request Form to obtain prior approval from Planmember before receiving compensation for selling the NLS Agreements and acting as an independent contractor to NLS, as required by Planmember's written supervisory procedures, constitute inequitable practices in the sale of securities.
5. Respondent's failure to include Respondent's sales of the NLS Agreements and Respondent's independent contractor relationship with NLS as outside business activities when completing Planmember's Questionnaire, and Respondent's failure to acknowledge on Planmember's Questionnaire that he was engaged in

- the sales of the NLS Agreements, constitute inequitable practices in the sale of securities.
6. Respondent's failure to update Respondent's Form U-4 within thirty (30) days of beginning to sell the NLS Agreements constitutes a violation of §115.9(a)(6) of the Board Rules.
  7. Respondent's failures to transmit outgoing correspondence with Planmember clients through Planmember sponsored e-mail only, as required by Planmember's written supervisory procedures, constitute inequitable practices in the sale of securities.
  8. Pursuant to Section 14.A(3) of the Texas Securities Act, the inequitable practices described above constitute bases for the suspension of Respondent's registrations with the Securities Commissioner.
  9. Pursuant to Section 14.A(6) of the Texas Securities Act, the violations of the Texas Securities Act and Board Rules described above constitute bases for the suspension of Respondent's registrations with the Securities Commissioner.

#### UNDERTAKING


1. Respondent undertakes and agrees that Respondent will pay a total of \$25,000 to Janet Mortenson, Permanent Receiver of National Life Settlements, LLC (the "Receiver"). The \$25,000 represents a portion of the commissions Respondent earned from the sales of the NLS Agreements.
2. Respondent further undertakes and agrees that within ten (10) days of the date that this Order is signed by the Securities Commissioner, Respondent will pay an initial amount of \$10,000 to the Receiver.
3. Respondent further undertakes and agrees to pay the remaining \$15,000 to the Receiver no later than 90 days from the date that this Order is signed by the Securities Commissioner. Respondent acknowledges that no distribution of the funds will occur until the court overseeing the Receiver enters an order authorizing distribution.
4. On or about December 1, 2011, Respondent provided to the Director of the Inspections and Compliance Division of the Texas State Securities Board (the "Director") and to the Receiver a sworn statement as to the source of the \$25,000 to be paid to the Receiver. Respondent further undertakes and agrees to notify the Director and the Receiver before using any funds derived from a source other than the source specifically disclosed to the Director and the Receiver in the December 1, 2011 sworn statement.
5. Within ten (10) days of the date that this Order is signed by the Securities Commissioner, Respondent further undertakes and agrees to deliver to each of the investors who purchased the NLS Agreements from Respondent a written

statement providing notification of Respondent's commitment to pay \$25,000 to the Receiver pursuant to the terms of this Order and Undertaking.

ORDER

1. It is therefore ORDERED that the agent and investment adviser representative registrations of Kris Bradford Rhoden are hereby SUSPENDED for a period of five (5) years from the date this Order is signed by the Securities Commissioner.
2. It is further ORDERED that Kris Bradford Rhoden comply with the terms of the Undertaking enclosed herein.

SIGNED AND ENTERED BY THE SECURITIES COMMISSIONER this 23rd  
day of February, 2012.

  
JOHN MORGAN  
Securities Commissioner

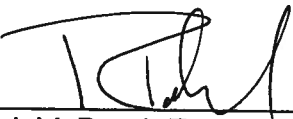
Respondent:



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Kris Bradford Rhoden

Approved as to Form:



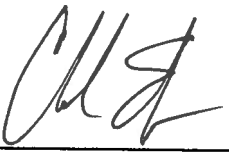
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Ronak V. Patel, Esq.  
Director  
Inspections and Compliance Division



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Eric Reed, Esq.  
The Reed Law Firm, PLLC  
Attorney for Respondent



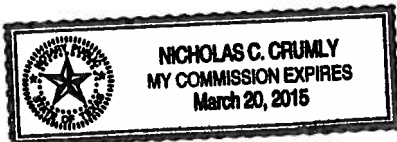
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Clinton T. Edgar, Esq.  
Attorney  
Inspections and Compliance Division

**ACKNOWLEDGMENT**

On the 1<sup>st</sup> day of February, 2012 Kris Bradford Rhoden ("Respondent") personally appeared before me, executed the foregoing Order and Undertaking, and acknowledged that:

1. Respondent has read the foregoing Order and Undertaking;
2. Respondent has been fully advised of his rights under the Texas Securities Act and the Administrative Procedure Act;
3. Respondent knowingly and voluntarily consents to the entry of the foregoing Order and Undertaking and the Findings of Fact and Conclusions of Law contained therein; and
4. Respondent, by consenting to the entry of the foregoing Order, has knowingly and voluntarily waived his rights as set forth therein.



[affix notary seal here]

[Signature]  
Notary Public in and for  
the State of TEXAS

My commission expires on: 3-20-2015