

JOHN MORGAN  
SECURITIES COMMISSIONER



BETH ANN BLACKWOOD  
CHAIR

DERRICK MITCHELL  
MEMBER

E. WALLY KINNEY  
MEMBER

DAVID A. APPLEBY  
MEMBER

ALAN WALDROP  
MEMBER

RONAK V. PATEL  
DEPUTY SECURITIES COMMISSIONER

Mail: P.O. BOX 13167  
AUSTIN, TEXAS 78711-3167

Phone: (512) 305-8300  
Facsimile: (512) 305-8310

## Texas State Securities Board

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

IN THE MATTER OF §  
THE INVESTMENT ADVISER §  
REPRESENTATIVE REGISTRATION OF §  
RUSSELL KENT CHILDS §

Order No. IC12-SUS-13

TO: Russell Kent Childs (CRD No. 1192883)  
Cambridge Legacy Advisors, Inc.  
18935 I-45 North  
Spring, TX 77388

John W. Mahoney, General Counsel  
Cambridge Legacy Advisors, Inc.  
15660 N. Dallas Parkway, Suite 700  
Dallas, TX 75248

### DISCIPLINARY ORDER

Be it remembered that Russell Kent Childs ("Respondent"), appeared before the Securities Commissioner of the State of Texas ("Securities Commissioner") and consented to the entry of this order ("Order") 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 2010 & Supp. 2011)("Administrative Procedure Act").
2. From on or about January 3, 2005, through on or about May 23, 2012, Respondent was registered with the Securities Commissioner as an agent of Cambridge Legacy Securities, LLC.

3. On or about January 3, 2005, Respondent registered with the Securities Commissioner as an investment adviser representative of Cambridge Legacy Advisors, Inc. This registration is currently effective.

I. **Background and Texas Disciplinary History**

2. On July 30, 2003, in Order No. CAF-1523, the Securities Commissioner entered findings that Respondent failed to disclose an assumed name with the Securities Commissioner, made unsuitable recommendations in the sale of variable annuities, and failed to amend his Uniform Application for Securities Industry Registration or Transfer (the "Form U4") to disclose a complaint and settlement. In connection with Order No. CAF-1412, Respondent was reprimanded and assessed an administrative fine of \$5,000.
3. On January 3, 2005, in Order No. IC05-SUS-01, the Securities Commissioner entered findings that Respondent sold interests in securities at a time when the securities were not registered by notification or coordination, and at times when the sales of such securities were not exempt under Sections 5 or 6 of the Texas Securities Act. The Securities Commissioner also entered findings that Respondent's failures to disclose certain items on Respondent's Form U4 applications constituted material misrepresentations to the Securities Commissioner in connection with information deemed necessary to determine Respondent's business repute and qualifications. In connection with Order No. IC05-SUS-01, Respondent was reprimanded, his registrations with Cambridge Securities, LLC and Cambridge Legacy Advisors, Inc. were granted, such registrations were suspended for fifteen (15) days, and Respondent was assessed an administrative fine of \$50,000.
4. On April 1, 2010, in Order No. IC10-SUS-10, the Securities Commissioner entered findings that Respondent violated an Undertaking with the Securities Commissioner, failed to comply with written supervisory procedures, failed to disclose required information on Respondent's Form U4, engaged in unsuitable transactions, assessed commissions prohibited in an investment's prospectus, and assessed excessive investment advisory fees without fully disclosing such fees. In connection with Order No. IC10-SUS-10, Respondent was reprimanded, suspended for nine (9) months, and assessed an administrative fine of \$25,000.

II. **Financial Industry Regulatory Authority Disciplinary Action**

5. On March 14, 2012, the Financial Industry Regulatory Authority ("FINRA"), a self-regulatory organization, took a regulatory action against Respondent and entered the following findings:
  - a) From September 25, 2008 through June 16, 2009, Respondent sold a private placement offered by Medical Capital, the MPFC VI offering ("MPFC VI"), to five (5) customers for a total of \$318,000.
  - b) Respondent represented to his customers that MPFC VI was a low-risk, income-producing product. Because he had sold earlier Medical Capital

offerings, Respondent did not conduct any due diligence before selling MPFC VI to customers other than reading the private placement memorandum for MPFC VI.

- c) Serious red flags existed as to the viability of MPFC VI. In July 2008, Medical Capital began experiencing liquidity problems and stopped making payments on two earlier offerings. Trustees for the two offerings sent default notices on November 10, 2008 and November 28, 2008. The trustees later held conference calls with note holders relating to the defaults and the status of Medical Capital.
  - d) Without adequate due diligence, Respondent could not identify and understand the inherent risks of MPFC VI. Further, after he became aware of the negative information concerning delinquencies and defaults in the earlier affiliated offerings, Respondent should have been alerted to the fact that MPFC VI was also susceptible to delinquencies or defaults and thus unsuitable for customers.
  - e) Therefore, Respondent failed to conduct adequate due diligence and failed to have reasonable grounds to believe that MPFC VI was suitable for any customer. In addition, Respondent did not have a reasonable basis for believing that his recommendation of MPFC VI to his five customers was suitable in light of the fact that he was aware of the delinquencies and defaults of earlier Medical Capital affiliated offerings.
6. Furthermore, in connection with the FINRA regulatory action, Respondent was fined \$15,000 and suspended from association with any FINRA member in any capacity for one (1) year.

#### CONCLUSIONS OF LAW

Pursuant to Section 14.A(9)(b) of the Texas Securities Act, Respondent's 2012 suspension from association with any FINRA member constitutes a basis for the suspension of Respondent's registration with the Securities Commissioner.

#### ORDER

It is therefore ORDERED that the registration of Russell Kent Childs as an investment adviser representative of Cambridge Legacy Advisors, Inc. is hereby SUSPENDED for a period of nine (9) months.

SIGNED AND ENTERED BY THE SECURITIES COMMISSIONER this 17th  
day of July, 2012.

  
JOHN MORGAN  
Securities Commissioner

Respondent:



\_\_\_\_\_  
Russell Kent Childs

Approved as to Form:



\_\_\_\_\_  
Ronak V. Patel  
Deputy Securities Commissioner



\_\_\_\_\_  
John W. Mahoney, General Counsel  
Cambridge Legacy Advisors, Inc.

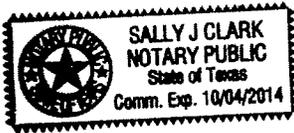


\_\_\_\_\_  
Clinton T. Edgar  
Attorney  
Inspections and Compliance Division

**ACKNOWLEDGMENT**

On the 13<sup>th</sup> day of July, 2012, Russell Kent Childs ("Respondent") personally appeared before me, executed the foregoing Order, and acknowledged that:

1. Respondent has read the foregoing Order;
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 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]

Sally J. Clark  
Notary Public in and for  
the State of Texas

My commission expires on: 10/4/14