

STATE OF ILLINOIS  
SECRETARY OF STATE  
SECURITIES DEPARTMENT

\_\_\_\_\_  
IN THE MATTER OF: JAMES RHODES, Jr. )  
\_\_\_\_\_) )

FILE NO. 0400414

CONSENT ORDER OF WITHDRAWAL

TO THE RESPONDENT: James Rhodes, Jr.  
(CRD#: 1692302)  
34 Horizon View Drive  
Farmingville, NY 11738

WHEREAS, Respondent on the 8<sup>th</sup> day of June 2006 executed a certain Stipulation to Enter Consent Order of Withdrawal (the "Stipulation"), which hereby is incorporated by reference herein.

WHEREAS, by means of the Stipulation, Respondent has admitted to the jurisdiction of the Secretary of State and service of the Notice of Hearing of the Secretary of State, Securities Department, dated February 9<sup>th</sup>, 2006 in this proceeding (the "Notice") and Respondent has consented to the entry of this Consent Order of Withdrawal ("Consent Order").

WHEREAS, by means of the Stipulation, the Respondent acknowledged, without admitting or denying the truth thereof, that the following allegations contained in the Notice of Hearing shall be adopted as the Secretary of State's Findings of Fact:

1. That on May 24, 2004, James Rhodes Jr.'s Letter of Acceptance, Waiver and Consent was accepted by NASD's national Adjudicatory Council ("NAC") Review Subcommittee, or by the Office of Disciplinary Affairs on behalf of the NAC, which imposed the following sanctions:
  - a. A fine of \$12,000; and
  - b. A suspension from associating with any NASD member firm in any and all capacities for a period of twelve business days;
  - c. Rhodes is required to pay \$2,011, plus interest, in partial restitution to a public customer.

2. That the decision found:
  - a. That Rhodes was registered with NASD as a General Securities Representative through Kirlin Securities, Inc., from October 8, 1996 to October 17, 2003.
  - b. That on October 8, 1998, Rhodes recommended that Kirlin customer AB ("AB"), a 71 year-old retiree, purchase, and AB did purchase, 93 lots of Venezuelan Brady Bonds.
  - c. That on May 25, 1999, Rhodes recommended that AB purchase 118 Ecuador Brady Bonds. AB purchased said bonds on May 25, 1999.
  - d. That on May 27, 1999, Rhodes recommended that Kirlin customer GF ("GF"), an 87 year-old retiree, purchase, and GF purchased, 100 Ecuador Bonds.
  - e. That Rhodes failed to fully understand that securities that he was recommending and the consequences of his recommendations.
  - f. Specifically, Rhodes did not know:
    - i. The bonds sold to customers AB and GF were not rated or were rated below investments grade,
    - ii. The financial condition of the foreign countries that issued the bonds and their corresponding risk of default,
    - iii. That the Venezuelan bonds were only transferable in denominations of 250 and greater, and that lesser denominations of the bonds were illiquid in the dealer market; and
    - iv. The only way for AB to sell his interest in the Venezuela bonds was for Kirlin to repurchase the bonds.
  - g. That Rhodes did not have reasonable grounds for believing that his recommendations and the transactions were suitable for each customer's financial situation, investment objectives and needs.
  - h. By virtue of the foregoing, Rhodes violated NASD Conduct Rules 2310(a) and 2110.
3. That Section 8.E(1)(j) of the Act provides, inter alia, that the registration of a salesperson may be revoked if the Secretary of State finds that such salesperson

has been suspended by any self-regulatory organization registered under the Federal 1934 Act or the Federal 1974 Act arising from any fraudulent or deceptive act or a practice in violation of any rule, regulation or standard duly promulgated by the self-regulatory organization.

4. That the NASD is a self-regulatory organization as specified in Section 8.E(1)(J) of the Act.

Whereas, by means of the Stipulation Respondent has acknowledged, without admitting or denying the averments, that the following shall be adopted as the Secretary of State's Conclusion of Law:

That by virtue of the foregoing, the Respondent's registration as a salesperson in the State of Illinois is subject to revocation pursuant to Section 8.E(1)(j) of the Act.

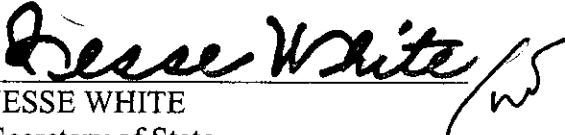
WHEREAS, Respondent acknowledges and agrees shall cause to have his registration as a salesperson in the State of Illinois withdrawn within three (3) days from the entry of the Consent Order and will not re-apply for registration for a period of two (2) years from the entry of the Consent Order.

WHEREAS, the Secretary of State, by and through his duly authorized representative, has determined that the matter related to the aforesaid formal hearing may be dismissed without further proceedings.

NOW THEREFORE IT SHALL BE AND IS HEREBY ORDERED THAT:

1. Respondent shall cause to have his registration as a salesperson in the State of Illinois withdrawn within three (3) days from the entry of this Consent Order and will not re-apply for registration for a period of two (2) years from the entry of this Consent Order.
2. The formal hearing scheduled on this matter is hereby dismissed without further proceedings.

ENTERED: This 26<sup>th</sup> day of June 2006.

  
JESSE WHITE  
Secretary of State  
State of Illinois